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TWO YEAR ANNIVERSARY



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EDITOR'S LETTER

We have come a long way and give a sigh of relief... But not for long, I still hold my breath for what is yet to come as we embark on a new year with its ups and downs. In our April issue, we celebrate Invest-Gate's second successful year.

In this issue, Invest-Gate gives its readers a conclusion of where the real estate industry was and how it progressed in those couple of years. Analytically, we conclude the aggressive progress of this sector. We highlight some of the major projects developing today and try to look into the future; the road is still bumpy but we are getting there.

My personal favors of this year are our successful run in closing a gap of communication between government officials and real estate market players in a number of challenges hindering the industry's progress, namely regulations and marketing Egyptian real estate abroad. We also shed light on some of the market opportunities by introducing new products such as branded residence, which we believe it hits many birds with one stone by opening new doors of investments, promoting Egypt internationally, and pushing Egypt's tourism sector forward.

To Invest-Gate's team, who accompanied us in our journey, I thank you. We have had a good run, but as we progress, more challenges will arise and I'm confident we are up for that.

To our readers, I thank you too for your trust in Invest-Gate. I hope we have given you something different and fruitful. We promise to give you more excitement. Stay tuned!

Special thanks to the Ministry of Housing and especially Deputy Minister of Housing for National Projects Khaled Abbas for having faith in Invest-Gate and supporting us. Last but not least, our ambitious real estate developers who have also accepted our many invitations to hold executive meetings to create a coalition with one another, while setting a promising and unified strategic plan to beat all odds and develop this industry.

To another year with major successes... To another year with many obstacles; but in the end, we add onto our list of successes and are up for what's in the pipeline.

Happy second year anniversary Invest-Gate and to many more to come!

Farah Montasser

EDITOR-IN-CHIEF

Email: fmontasser@invest-gate.me

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PUBLISHER
MOHAMED FOUAD

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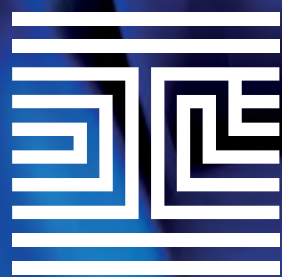
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INVEST-GATE'S 2ND ANNIVERSARY LEADING DEVELOPERS HAVE THEIR SAY



“

I am delighted to find enthusiastic youth working and producing an array of real estate-related services that serve the slogan of “Egypt Land of Opportunities.” I trust the information and data Invest-Gate provides and I will continue to collaborate with Invest-Gate. Concerning the recommendations invoked during events hosted by Invest-Gate, the ministry strives to effectively put them into action.

KHALED ABBAS

Deputy Minister of Housing, Utilities & Urban Development for National Projects

“

I am always keen on attending Invest-Gate's events and joining its in-depth discussions, which enrich the market's mindsets and result in fruitful recommendations that eventually come into effect.

HISHAM SHOUKRI

Chairman of Rooya Group



“

Invest-Gate plays an essential role in holding fruitful and focused discussions, while coming up with effective results. I believe that Invest-Gate, in collaboration with the Export Council of Real Estate, will effectively help the state and developers in exporting real estate.

AHMED SHALABY

Managing Director & Board Member of Tatweer Misr

“

I am pleased with Invest-Gate's performance and I like to participate in Invest-Gate's roundtables to express my viewpoints and benefit from other mega-developers' opinion towards certain topics related to the property sector.

AMR EL KADY

CEO of City Edge Developments



“

Invest-Gate's services are one of a kind in the real estate market; they tackle important topics and gather developers from various fields. The publication also raises awareness among decision-makers in the sector to take solid actions.

FATHALLAH FAWZY

Founder of Mena Group

“

Invest-Gate is very beneficial for bringing together key market leaders under one roof and enabling them to share their ideas and learn from each other's experiences.

WALEED MOKHTAR
CEO of Iwan Developments



“

Invest-Gate boasts professionalism in all the services and equips its clients with valuable knowledge and rich content. I am always looking forward to finding out the latest updates on the housing ministry and giant real estate companies via the magazine's distinct platforms.

FAHD DERBALA
CEO of Al Dau Development - Real Estate Sector



“

Invest-Gate has positioned itself as a credible source of information for those who are interested in real estate. I would like to hail Invest-Gate for its outstanding contribution to the real estate industry.

BASHEER MOSTAFA
CEO of First Group



“

Invest-Gate provides its readers with reliable and precise knowledge. More importantly, the magazine sheds light on the latest statistics and figures that reflect a clear image of the real estate market's performance.

HUSSEIN SABBOUR
Chairman of Sabbour Consulting



“

Since established, Invest-Gate has made a huge difference in the real estate industry by providing reliable, trusted news and information about the market. Invest-Gate is not by any means an ordinary publication, but it's truly the voice of real estate.

MAGED SALAH
Chairman and CEO of Madaar Developments



“

Invest-Gate is a well-written magazine that explains for all the businessmen and investors how and where the success is happening, and thus, motivates everyone else to pursue it. The magazine also provides an educational experience for all its users.

WALID KHALIL
CEO of New Plan Developments



CELEBRATING OUR
**TWO
YEAR**
ANNIVERSARY



BY **MOHAMED FOUAD**
Invest-Gate Managing Partner

REAL ESTATE ROAD REMAINS BUMPY

There is no doubt that the real estate industry is one of the major contributors to the country's growth domestic product (GDP). It is a long real estate development journey that we started and are moving ahead, yet the road remains challenging.

Given the size of the real estate industry and its value, regulations are required to sustain its success in the long term, especially with the government's ambitious and sought-after strategic plan.

Regardless of the type of audience, whether local or foreign investors, we need to be very well organized. We need to understand our strengths and weaknesses to achieve a proper and sustainable growth. We need to have a well-integrated development plan that includes all the needed infrastructure and other vital facilities, as well as, the developers who can contribute to the plan in a realistic timeframe. To achieve that, a regulation authority or a regulatory body is needed to achieve the government's strategy, studying its current status, and foreseeing its future in a scientific and factual manner. We hear a lot of opinions but no one in Egypt can see where the real estate industry is going. Moreover, we see new developers and brokers entering the market everyday, and this can hinder the industry's growth in the future if this process is not organized. A regulatory body should be formed to set criteria for all market players to have a more organized framework, serving its path to prosper.

I believe this is where our role came into play. Invest-Gate throughout the past two years has been studying the market, highlighting its strengths and weaknesses, opening doors for investment opportunities, and addressing some of its challenges. I believe that our work has supported the state's general growth plan and somewhat put it in a more organized platform. We presented what's happening on the ground and by that I believe we have managed to assist those working in the industry from the

government officials to private entities in understanding the market.

One of the main growth drivers is the real estate exports, which Invest-Gate proudly played a major role in. Coherently, Invest-Gate, along with the leaders of this market, started to build a strategy for promoting our real estate market abroad. We don't promote this sector solely but we promote the country as a whole with its economy, its security, and its livelihood.

We have also helped in developing a more open communication channel between the government and the private sector since there is a communication gap between the government, and existing investors and newcomers. For example, there are many developments across Egypt with major expansions into new cities, which are progressing at a high pace. However, there is a lack in the availability of statistics on the value of investments pumped into these projects. This calls for a transparent follow-up on the performance and evaluation of such projects to be provided by the official bodies. Additionally, transparency is crucial and the fact that we can track the actual performance of listed developers only does not reflect the market's standing point.

And here comes Invest-Gate to the rescue as we continue to address those challenges from an analytical perspective and supporting the real estate market players on regulating the industry to touch upon the emerging opportunities and eliminate any risks. Generally, we are moving forward, but the road remains bumpy, yet Invest-Gate promises to continue playing its role in developing the market and giving a true "Voice of Real Estate."

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new PLAN developments

OUR PROJECTS

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AL AHLY SABBOUR PLANS FOR 3RD PROJECT IN NORTH COAST

Al Ahly Sabbour Developments held on March 10 a press roundtable to uncover the latest updates on its developments across Egypt, while exclusively revealing its intentions for the third residential project in the North Coast.

Ahmed Sabbour, CEO of Al Ahly Sabbour, stressed during the roundtable, which took place at Al Ahly Sabbour's headquarters in New Cairo, that the company did not yet acquire the project's land plot and there are no further details regarding it.

Besides, the company is set to exclusively launch the newest compound within the City of Odysia



in Motsakbal City – which is being implemented with total investments worth EGP 32 bn – during Cityscape Egypt from March 27 to 30. This comes

following the significant demand on the previous two phases, Alaire and The Ridge, the CEO revealed.

In a land offering by the New Urban Communities Authority (NUCA), the company acquired a 144-acre plot in 6th of October City, west Cairo, to establish an integrated residential project that includes duplexes, townhouses, and twin houses, he added.

Concerning its future expansion plans, Al Ahly Sabbour is currently negotiating with Minya Governorate to obtain a land plot for developing a residential project.

EL MOSTAKBAL GIVES BACK WITH MASSIVE DONATIONS

As deterrent to providing for the upgrade of urban living with its massive project, Mostakbal City, El Mostakbal for Urban Development cares for the less fortunate through a number of charity work across the capital.

The market guru added Abu El Reesh Pediatric Hospital, Ganat El-Khulood Charitable Organization, and Children's Cancer Hospital 57357 to its corporate social responsibility (CSR) list for 2019. Currently, El Mostakbal provides LIVGAMA medicine, which is a multi-function medication mainly used for organ tissue rejection, at Abu El Reesh - the largest and oldest pediatric hospital in Egypt, qualified for treating all children's diseases, according to a recently released statement.

El Mostakbal for Urban Development is also supporting Ganat El-Khulood, which sustains fixed incomes to ensure a dignified life to the inhabitants of "El Dowika" slum, through financing and aiding a children's school, in addition to a small scale textile factory that employs and educates residents of "El Dowika," which is located on the outskirts of Mokattam, Cairo.



The Children's Cancer Hospital 57357 has also received a large donation from the real estate giant, including a special medical device that monitors and adjusts the appropriate body temperature prior to chemotherapy session without any harm or side effects.

El Mostakbal is aware of its responsibilities towards society and therefore turns a great deal of attention to charitable activities and "is willing to donate funds on a regular basis," the statement reads.

DRAFT LAW FOR REAL ESTATE DEVELOPMENT SHOULD BE FINALIZED IN 2M: PM

Prime Minister Mostafa Madbouly gave directives to quickly finalize the draft law that will regulate the real estate development activity within two months, Invest-Gate reports.

This came during Madbouly's meeting on February 15 with Housing Minister Assem El Gazzar, Head of the Real Estate Development Chamber Tarek Shoukri, amongst other officials, according to a ministerial statement.

The parliament's housing committee will be invited to discuss the law after being drafted clearly to be passed to the cabinet for approval and then to the parliament for issuance.



Madbouly excluded the possibility of a real estate bubble, explaining that work is currently underway on the real estate export file. In this regard, he noted that serious decisions have been taken such as granting residency to foreign home buyers in accordance with specific measures, stressing that the Egyptian market will remain stable in the coming period.

THE LAND DEVELOPERS MAKES DEBUT WITH ARMONIA IN NAC



The Land Developers (TLD) made its debut in the Egyptian market by introducing its first project, Armonia, in the New Administrative Capital (NAC), with total investments of EGP 2 bn, excluding the land's price.

This came during a press conference held on March 12 at the Four Seasons Nile Plaza in Cairo, Egypt, in the presence of a large number of media outlets and the company's top management.

Armonia will introduce a smart architectural concept where living inside a park is the dominating theme, while offering a variety of facilities and entertainment services - all complementing the idea of living within a park by maintaining more than 80% green spaces.

To be developed on 41 acres, the flagship project will comprise seven-story buildings with a total of 1,750 apartments to be completed within four years, with the first offering to include 300 units and generate sales estimated at EGP 1 bn.

Commenting on the project, TLD's Chairman and Managing Director Ahmed El Tayebi said, "We prefer quality over quantity as a means to preserve privacy which represents an integral aspect of our design. Our idea of luxury is mainly about employing our architectural expertise to offer day-to-day needs through an innovative and functional lens."

CASTLE DEVELOPMENT LAUNCHES EGP 800 MN EAST SIDE IN NAC

Castle Development announced in a press conference on March 11 the launch of East Side, its latest project in the New Administrative Capital's (NAC) MU23 zone, with investments worth EGP 800 mn.

To be fully delivered by 2021, East Side, which boasts a built-up area of 20,000 square meters, will offer medical, retail, and administrative spaces of 7,600 square meters. Providing easy access to a wide network of roads, the project overlooks NAC's El Amal Axis, which connects Ben Zayed North Road and Suez Road.

"Developing a mixed-use that is in harmony with the thriving assortment of residential compounds does not only work as a connecting factor between communities, but also helps a super destination that attract investors and caters to a wide range of residents," CEO of Castle Development Ahmed Mansour was quoted as saying.

"The project's masterplan employs an approach called Biophilic Architecture, it is mainly concerned with incorporating elements from nature into every aspect of layout," according to Hany Saad, CEO of Hany Saad Innovations, which is responsible for designing and landscaping the project.



With 50% dependence on solar energy, East Side is expected to comprise seven floors. It will include three interconnected complexes, which have fully furnished clinics and office spaces up to 5,000 and 7,000 square meters, respectively. In addition, the project also includes a 7,500 square meters of retail area to comprise banks, pharmacies, and an assortment of food and beverage (F&B) options. It also comprises a 4,000-square-meter outdoor area and 800 underground parking slots.

On another note, the company will launch the second phase of its NAC residential project, Castle Landmark, which is set for delivery by 2022, with total investments of EGP 550 mn. This phase will cover 70,000 square meters, with expectations to offer 378 units.

TATWEER MISR INKS MOU FOR 1ST AMERICAN INTERNATIONAL BRANCH CAMPUS IN EGYPT

Tatweer Misr has signed a memorandum of understanding (MoU) with New Jersey Institute of Technology (NJIT) and Ocean County College (OCC) to establish Egypt's first American International Branch Campus (IBC) at Mostakbal City's Bloomfields, east Cairo, Invest-Gate reports.

The announcement came during a press roundtable held at The Nile Ritz-Carlton, Cairo on March 19, where Tatweer Misr's CEO and Managing Director Ahmed Shalaby revealed that the signing comes as part of a lineup of agreements with internationally acclaimed universities and schools.

Spreading across 90 acres at Bloomfields, the IBC is expected to start hosting its educational services by 2022, while the campus is scheduled to be finalized by 2027, Shalaby stated during the press roundtable. He also noted that "both institutions' main ethos is focused on employing innovative methods of learning."

Shalaby pointed out that the two parties took about 14 months to reach a final agreement.

Commenting on the deal, President of NJIT Joel Bloom said in a recent press statement, "Tatweer Misr is enabling NJIT, a highly-ranked global polytechnic university that has had significant success in educating diverse populations of college students



with the knowledge and skills that are in great demand by engineering, science and technology-based industries."

Meanwhile, Shalaby confirmed that Tatweer Misr's contracted sales surged by 65% in 2018 compared to the previous year, backed by Bloomfields' launch during the same year. Egyptian expats and foreign investors represent 22% of those sales, with non-Egyptians amounting to 5% of the total sales.

He further revealed that Ain Sokhna's IL Monte Galala is set to start delivering its units by early 2020, while the first phase of Fouka Bay in the North Coast will be handed over in summer 2019. IL Monte Galala and Fouka Bay will see this year investments worth EGP 2 bn and EGP 1 bn, respectively.

PROPERTY BANKER DOUBLES LE SALON'S SUCCESS IN ALEXANDRIA



Following its remarkable success in Mansoura, Property Banker fruitfully organized the second round of its sales exhibition brand "Le Salon" from March 15 to 16 in Sporting Club, Alexandria.

In collaboration with top real estate developers, including Emaar Misr, Sixth of October Development and Investment Company (SODIC), Beta Egypt for Urban Development, Hyde Park Developments, Tatweer Misr, and Castle Development, the two-day exhibition managed to receive massive attention among Alexandria residents and attract a high turnout of potential customers.

"Le Salon grants us access to a segment of clients that we do not usually reach out," Abdallah El-Telbani, direct and indirect team leader at Beta Egypt, tells Invest-Gate on the sidelines of the event.

El-Telbani praises Property Banker's efforts in conducting extensive surveys and picking ideal venues for its shows, pointing out that Alexandria rejoices a wide range of promising clients who have the willingness to buy or invest in Cairo, as well as, new cities.

On his part, Khaled Mustafa, sales director and board member at Property Banker, says the company seeks to host further exhibitions across different governorates and tap into new markets, aiming to raise the awareness of the development projects being established all over Egypt.

"Our concept is that we are movable; we enable the developers to reach out for potential clientele across the country rather than standing still and waiting for them to come," Mustafa adds.

Property Banker's sales director further notes that the main reason behind developers' participation in such exhibitions is to explore new markets and promote their products among new strata of clients, revealing that the organizer's next stop will probably be at Upper Egypt.

GOV'T, DEVELOPERS PARTICIPATION IN MIPIM 2019 MARKS BIG GAIN



Egypt's Ministry of Housing, Utilities, and Urban Communities participated for the first time in France's leading real estate event MIPIM 2019 held from March 12 to 15 at Palais Des Festivals, Cannes.

Egypt took part in this prominent event with a pavilion, among 100 countries, 5,400 investors, more than 1,000 real estate projects, and about 1,300 local and international decision-makers. The country's participation marks a big gain and a major step forward towards exporting real estate.

Deputy Minister of Housing for National Projects Khalid Abbas said in an official statement that Egypt's participation in such whopping event comes with many advantages. The most important one is showcasing the country's national projects currently being implemented by the state, and attracting foreign investors to pump new investments into the housing sector.

For Egypt, this year's edition of MIPIM is an opportunity to learn from others' experiences in this vital sector, where technologies and modern methods of construction advance. Therefore, the Egyptian public and private sectors seek to benefit from such exposure, whether in the planning of new cities, architectural designs, or cost reduction mechanisms, Abbas elaborated.

According to Abbas, the most important feature of this participation is the consolidation of the efforts of the housing ministry and eight of the top real estate developers, who joined forces to deliver an honorable image of Egypt in the exhibition.

Rooya Group's Chairman and CEO Hisham Shoukri pointed out that Egypt's participation in international exhibitions is a





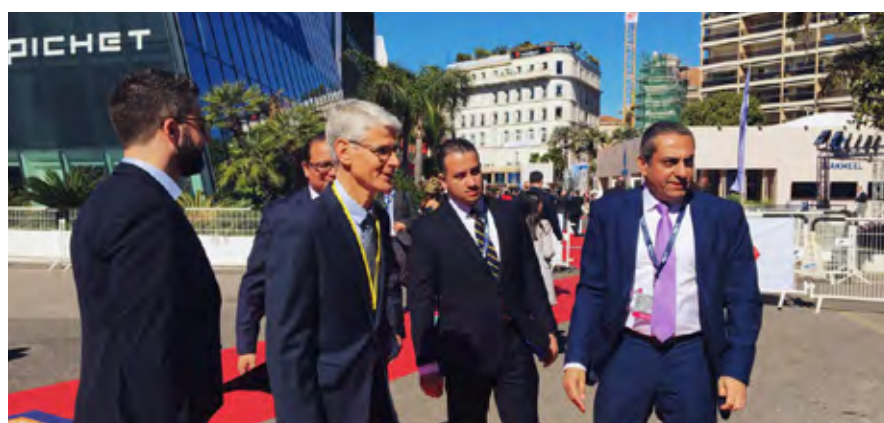
golden opportunity for both the government and developers. It also marks a major step forward and an important mechanism to export Egyptian real estate abroad, which fundamentally drives more investments into the sector.

Moreover, CEO of City Edge Developments Amr El Kady stressed that the country's presence in such mega events is a vital move for promoting Egypt's real estate developments. During the exhibition, the company, along with representatives of investment funds, banks, and others, was able to display a number of flagship projects in New Alamein, the New Administrative Capital (NAC), and New Mansoura.

For his part, Tatweer Misr's Managing Director and Board Member Ahmed Shalaby said the company's participation in MIPIM reflects its vision and strategy to become a regional and international key player in the fields of urban and real estate development during the forthcoming five years.

Tatweer Misr seeks to achieve this through luring foreign buyers to invest in the serviced apartments located in its Ain Sokhna and the North Coast projects, Il Monte Galala and Fouka Bay, in addition to other investment opportunities the developer offers in the education, medical, and entertainment fields, Shalaby added.

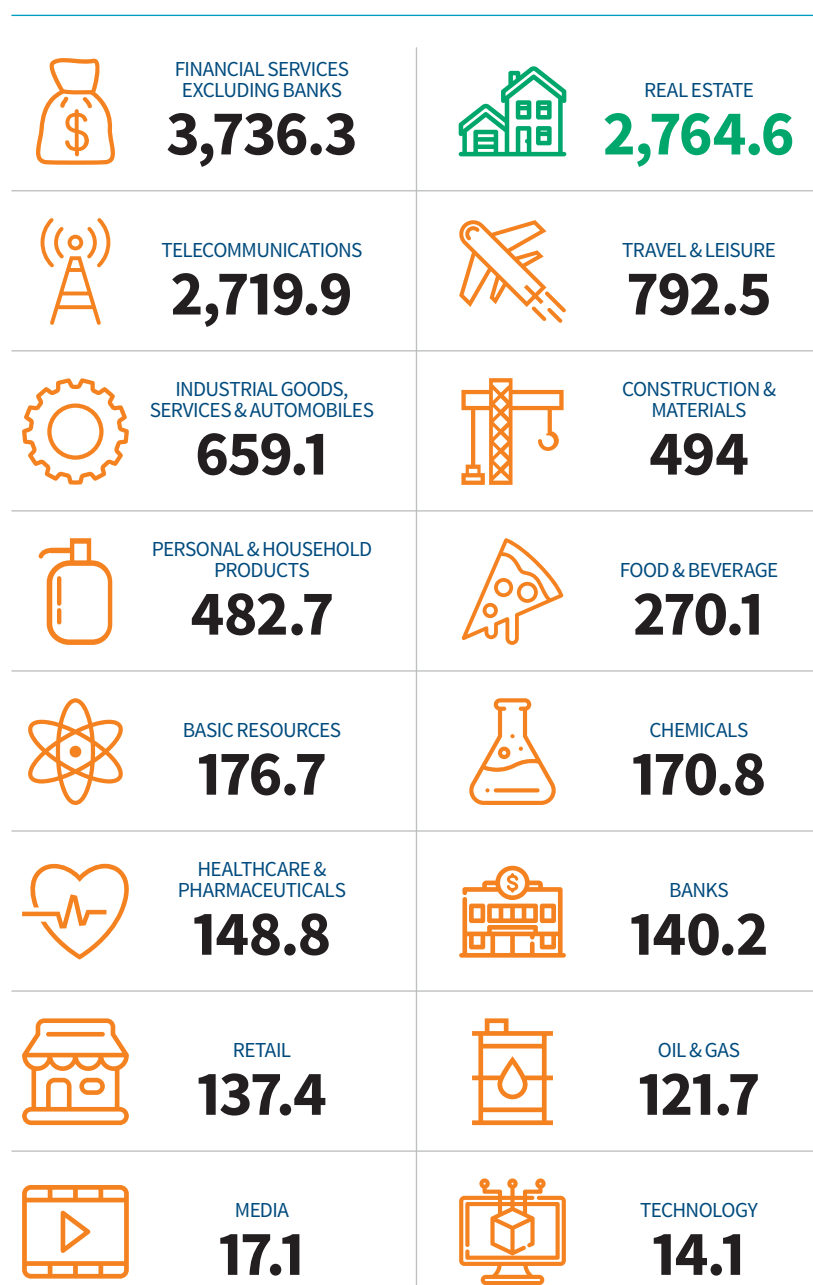
Other private developers that took part in the French property exhibition include Sixth of October Development and Investment Company (SODIC), Talaat Moustafa Group (TMG) Holding, Palm Hills Developments, ARCO, and El Badr Real Estate Development, who jointly showcased a wide range of mega development projects that are being developed across the country's major new cities at "Opportunity Egypt" pavilion.



REAL ESTATE DEVELOPMENTS IN EGYPT

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RESEARCH & ANALYSIS

EGX MOST ACTIVE SECTORS IN Q4 2018
(IN TERMS OF TRADING VOLUME) (MN SHARES)



The real estate sector ranks the second most active sector.

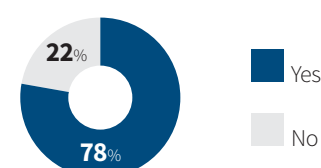
SUPPLY OF HOUSING UNITS



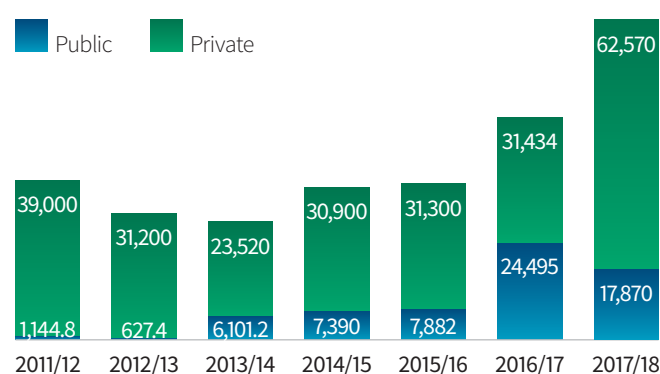
NO. OF PEOPLE IN MARRIAGEABLE AGE (20-40)



DO YOU THINK NOW IS TIME TO INVEST IN REAL ESTATE?

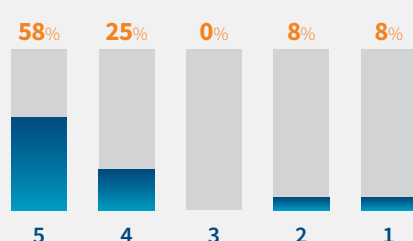


TOTAL INVESTMENTS IN REAL ESTATE BY SECTOR (EGP MN)

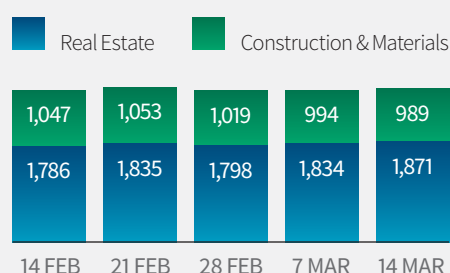


ONLINE MONTHLY SURVEY

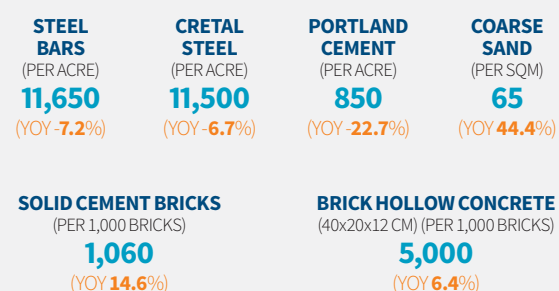
HOW DO YOU RATE INVEST-GATE'S SERVICES?



REAL ESTATE & CONSTRUCTION STOCK MARKETS INDEXES PERFORMANCE IN EGYPT (2019)



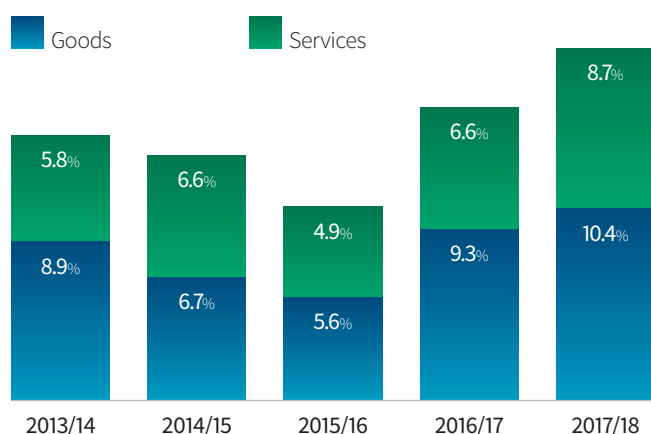
PRICES OF CONSTRUCTION MATERIALS (FEBRUARY 2019) (EGP)



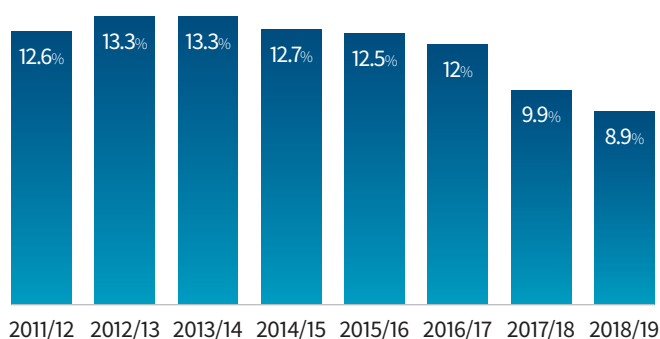
Sources of Raw Data: Central Agency for Public Mobilization and Statistics (CAPMAS), Ministry of Planning, Ministry of Housing, Egyptian Exchange (EGX), and Invest-Gate R&A.

ECONOMIC SNAPSHOT

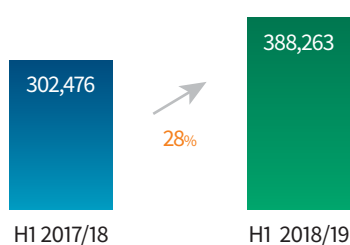
TOTAL EXPORTS OF GOODS & SERVICES (% OF GDP)



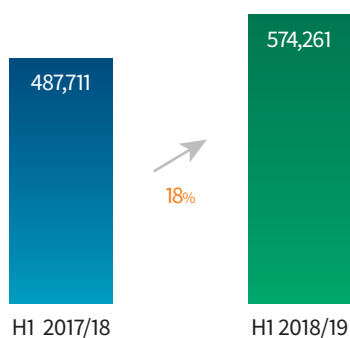
UNEMPLOYMENT RATE



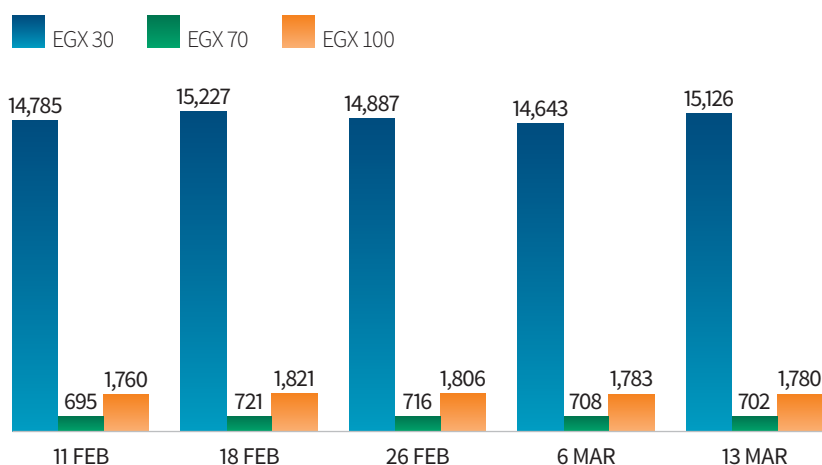
GOV'T REVENUES (EGP BN) (YOY)



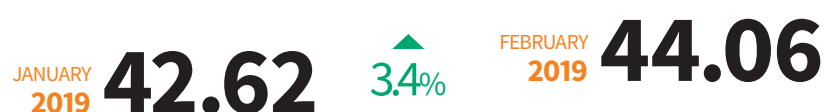
GOV'T EXPENDITURES (EGP BN) (YOY)



CAPITAL MARKET INDICATORS



NET INTERNATIONAL RESERVES (USD BN)



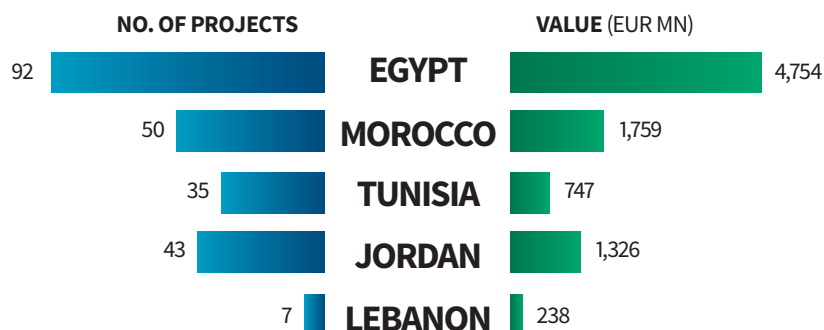
ANNUAL HEADLINE INFLATION CPI



GLOBAL RANKING



EGYPT TOPS EBRD INVESTMENTS IN ARAB COUNTRIES IN 2018





FIRST GROUP STANDS OUT IN A CROWD OF COMPETITORS

If you are looking for a top-notch housing unit in 6th of October City, First Group's Kenz Compound will stand out as the perfect choice. A well-researched planning, a full-fledged implementation, and an unrivaled delivery service are the key to First Group's success amid the fierce competition in the real estate industry. CEO of First Group Basheer Mostafa talks to Invest-Gate about his company's vision and plans, while revealing new details on its latest residential and commercial projects.

FIRST OF ALL, CAN YOU TELL US ABOUT FIRST GROUP'S JOURNEY?

Founded in 2002, First Group has been constructing for the first eleven years a number of mini compounds and residential buildings in 6th of October City, Sheikh Zayed, New Cairo, and Shorouk City, along with some midscale commercial complexes and shopping malls. By the end of 2013, we acquired the land plot of Kenz Compound on Fayoum Road in October Gardens.

Back then, October Gardens was known for its outlying suburbs and low-income projects. In a matter of few years, we managed to contribute to refurbishing this area and rebranding it as a very attractive location with a promising future.

Our efforts came in line with the government's iconic projects being developed around this spot such as the Grand Egyptian Museum that is set to be officially inaugurated in 2020, the relocation of the Pyramids' main entrance to be on Fayoum Road, and the establishment of Sun Capital touristic and residential compound.

WHAT ARE THE LATEST UPDATES ON KENZ COMPOUND?

Kenz Compound spans over 30 acres and comprises 1,350 residential units, in addition to a massive number of administrative, commercial, and entertainment facilities. The first three phases of the project are fully delivered, while works on the project's final phase of residential units and giant shopping center, named Kaya Plaza, are currently underway.

WHAT ARE THE KEY ADVANTAGES THAT MAKE YOUR PROJECTS STAND OUT?

Although our investment values have witnessed some fluctuations due to the current economic conditions, First Group was among the least affected companies by the currency devaluation and the cyclical nature seen in the real estate industry. This can be highly attributed to the company's constant keenness on conducting a detailed and well-researched planning. We always prefer to take lingering, yet critical, steps on the right track.

Furthermore, we highly value and appreciate our agreements with the clients. As per our contracts, we offer unique and unrivaled designs, top-notch developments, high safety standards, and quality finishing materials. We are always committed to delivering units ahead of the agreed time frames to avoid any unfavorable woes.



HOW IS FIRST GROUP PROGRESSING ON THE COMMERCIAL DEVELOPMENT LEVEL?

On the commercial side, we are currently developing two mega projects, namely Kazan Plaza and Kaya Plaza, which is scheduled for hand-over at the end of 2020 - the same delivery date of the fourth phase of Kenz's residential units.

Meanwhile, construction and operational works at Kazan Plaza shopping center are now in progress. The mall is located in the vicinity of Mall of Arabia and a few minutes away from Juhayna square, west Cairo.

We only sell the medical and administrative facilities of the mall, while retaining the commercial part to be managed and supervised by the company across specific activities with an outstanding talent mix. We aim to lure the maximum number of the world's top brands to offer competitive services to our clients.

Nowadays, commercial and administrative projects are more financially stable than the first home and residential businesses. There is a marked slowdown - not a saturation - in the residential sector as a result of the excessive supply and the significantly decreasing purchasing power. Unlike the commercial projects, hiking housing prices, due to basic and inevitable factors such as higher construction costs and rising interest rates, make investing in residential projects less profitable despite strong demand. Retail units can be rented or managed in a way that generates higher revenues, making them a favorable investment opportunity for potential clients.

FIRST GROUP IS NOW HEADING TO THE COASTAL CITIES, WHAT DO YOU HAVE IN THE PIPELINE?

We are planning for two coastal projects to be located at the North Coast and Ain Sokhna, aiming to attract high-end segments of local and foreign homebuyers.

Ain Sokhna project is adjacent to the flagship development and tourism project, El Galala City, which is part of the state's urban development plans. Located at a prime location across the Red Sea, all of the project's units will enjoy a spectacular sea view thanks to the advanced engineering of the land leveling.

Similarly, the North Coast's leisure resort lies at Fouka Bay area, 100 kilometers away from Matrouh, and it is characterized by being surrounded by mega national development projects including El Alamein, El Dabaa, and Ras El Hekma. The coastal compound will introduce unique and brand new designs, inspired and supervised by skillful foreign designers.

WHILE THE MAJORITY OF DEVELOPERS ARE LAUNCHING THEIR PROJECTS AT THE NEW ADMINISTRATIVE CAPITAL (NAC), WHY DID FIRST GROUP OPT FOR THE COASTAL CITIES? AND WHY DID YOU PICK THE NORTH COAST AND AIN SOKHNA IN SPECIFIC FOR YOUR PROJECTS?

I do believe that incorporating coastal and second home projects catered to A+ and A categories diversify the company's portfolio. We decided to get away from the centralized development projects in Cairo and NAC, which are currently attracting a massive number of developments and clients, until works on Kenz compound are fully done.

The North Coast has undoubtedly positioned itself as a top summer vacation spot across the Mediterranean Sea, while the most attractive non-summer destinations spots are mostly located at the Red Sea coastal cities, such as Hurgada, Zaafarana, and Ain Sokhna. We work on both projects in parallel, and we even have plans to link them together by making special offers for clients to book their units at both resorts.



IS THERE ANYTHING YOU WOULD LIKE TO ADD?

First Group is now witnessing a facelift. We plan to develop our identity by creating a new brand name and logo to catch up with our new targeted clientele. I hope that we, as developers, manage to play our vital role in fueling investments, creating job opportunities, and offering credible services for various clients.

EGYPT REPOSITIONS ITSELF AMONG REGIONAL REAL ESTATE MARKET LEADERS

BY **FARAH MONTASSER**

The Egyptian real estate market saw significant development and substantial growth throughout the past few years, thanks to the major expansion of new cities and the high demand from local and foreign homebuyers. Today, the country's property market is believed to seize the regional market with a number of investment opportunities. Invest-Gate sits with Head of Savills Egypt Catesby Langer-Paget for a quick review on the market performance and forecast of the near future.

WHY HAVE YOU DECIDED TO VENTURE THE EGYPTIAN MARKET?

The Egyptian market is showing very promising signs of expansion and is set to regain its position among the leading real estate markets within the region. The growth witnessed by the residential and commercial real estate market is driven by multiple factors through the government's ambitious plans to address the increasing population including planning to build 20 new cities - expected to accommodate about 30 mn people in total, the largest of which will be the New Administrative Capital (NAC), east Cairo. To capitalize on this growth potential, Savills - the globally renowned player within the real estate sector - arrives in Egypt shortly after its acquisition of Cluttons Middle East. Savills' entry into the Egyptian market is part of an ambitious expansion plan within the Middle East and North Africa (MENA) region. The agency aims to grow its regional capabilities and to play a key role in Egypt through catering to different stakeholders within the real estate market and supporting the property project lifecycle, alongside a robust service offering.

All in all, Savills aims to leverage its wide range of experience that will be of significant value for all the different stakeholders within the housing sector.

ARE YOU MARKETING LOCAL PROJECTS AMONG LOCALS OR FOREIGN PROJECTS TO LOCALS OR LOCAL PROJECTS ABROAD? WHAT IS SAVILLS SCOPE EXACTLY?

Savills is a global real estate services provider listed on the London Stock Exchange. The company has over 600 owned and associate offices and employs more than 30,000 people in more than 60 countries, with expertise spanning sales and leasing, valuation, feasibility studies, as well as, property and facilities management and research. Through these services, Savills is well positioned to offer an important contribution to support the growth of the main driving sector of Egypt's economic recovery.

For instance, Savills just launched One Zamalek, a building it is managing and is located in one of the most prestigious areas in Cairo on the northern tip of Zamalek. The project features 21 exclusive apartments available for sale and they are already attracting a lot of interest, especially from GCC nationals.

On another note, the commercial real estate market will also be the main focus for Savills this year.

SUGGESTED RESPONSE TO "HOW DO YOU ASSESS THE CURRENT AND FUTURE OF REAL ESTATE IN EGYPT?"

The market has, over the longer term, proven to be more resilient to economic shocks and a good hedge against currency devaluation. However, because so many of these properties have been bought by investors purely for capital appreciation purposes, it has led to a large number of properties currently sitting empty. It is important, especially with a young working population, that developers start to target the middle-to low-income buyers and that a proper mortgage market is established. Unfortunately, this is unlikely to happen until interest rates decrease significantly.

In 2019, it is not expected that there will be much underlying growth, but rather it is a time for stabilization following two years of rapid growth after the EGP Flotation in 2016. Attracting foreign buyers into the market can help bolster the real estate sector in this period. For foreign investment, it is critical that the market is seen as stable and transparent. Part of Savills' role in the region will be to support initiatives that make information more readily available for potential investors, so that they can understand the upside of the Egyptian real estate industry. We are here to provide best practice, advice, and consultancy that allow a more informed approach to investment, whether that be from home-grown investors to those from further afield.

With regard to commercial real estate, we are seeing a lot of demand from international corporate occupiers. Savills has already been asked to assess two office requirements in excess of 10,000 square meters in the last six months alone. We just do not see requirements of this size regularly coming up in the rest of the region. An affordable, highly educated workforce makes Egypt a great place to set up a base from which to outsource services to the rest of the region. This also applies to manufacturing, shown by Mercedes-Benz's recent announcement that they plan to build a new assembly plant in Egypt.





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EGYPTIAN REAL ESTATE OPPORTUNITIES VS CHALLENGES

BY JULIAN NABIL

Property market is one of the few sectors that has proven a safe bet against the uncertainty and instability following the 2011 political uprising of Egypt. However, as the market’s resilience is still challenged by many difficulties across the board, and investors remain jittery about the Egyptian economy in general, and real estate sector in specific, Invest-Gate lists the opportunities and challenges facing any investing developer in the property market today.

POSITIVE FACTORS TO CONSIDER:

SECTOR PERFORMANCE

Following the 2011 revolution, the Egyptian government has been employing continuous reform strategies to stimulate the business environment, while wielding ample efforts to enhance the country’s real estate sector.

In fact, the property market is one of the fastest growing sectors in Egypt, with total investments reaching peaks of around EGP 80.45 bn in FY 2017/18, an increase of 44% from EGP 55.93 bn in FY 2016/17.

REAL ESTATE INVESTMENT GROWTH

FY 2016/17	FY 2017/18
55.93 _{BN}	80.45 _{BN}

Notably, private investments in the sector almost doubled to EGP 62.57 bn in FY 2017/18, compared to EGP 31.43 bn in the prior-year period.

DEMAND

The general long-term demand drivers look positive despite the increased tendency towards speculation at the higher end of the market, making it attractive to residential and non-residential real estate developers.

The country was home to nearly 96.3 mn in early 2018, with 42.6% of them living in cities, based on figures released by Egypt’s Central Agency for Public Mobilization and Statistics (CAPMAS) in July 2018. Also, the agency’s census figures show that annual marriage contracts recorded 912,606 in 2017. This coupled with the widespread notion of real estate being a safe value, create a strong demand for property, especially in the largest cities.

The flip side of that is divorce: if a couple splits up, one of them at least will need a new home. CAPMAS’ latest census reported 198,269 divorces in 2017,

with the most common age for divorce averaged between 30-35 years old. This means that at least 190,000 people were supposedly shopping for a new house last year.

Additionally, expats represent a possible demand, with their remittances soaring 3.1% to USD 25.5 bn in 2018, up from USD 24.7 bn in 2017, according to official figures released by the Central Bank of Egypt (CBE).

On the other side of the coin, CAPMAS' latest figures indicate that the number of units built reached 317,200 units in FY 2016/17, compared to 263,500 units in the prior year. As a matter of fact, this implies that there is still an imbalance between supply and demand in Egypt, giving room for developers to offer more units in the market.

NEW CITIES

Nowadays, investors do not only have the suburbs of Cairo on its eastern and western borders for business expansion, but an array of new cities were recently introduced to redefine the new map of Egypt. Back in September 2018, the New Urban Communities Authority (NUCA) revealed its ongoing plans to develop 20 new cities of the fourth generation on a total of 580,000 acres to accommodate 30 mn citizens.

This comes in line with the government's plan to double the country's habitable areas to 12-14%, compared to the current figures of 6-7%, as part of Egypt's National Strategic Plan for Urban Development 2052, Minister of Housing, Utilities, and Urban Communities Assem El Gazzar announced last February.

In Invest-Gate's interview back in the same month, Waleed Abbas, assistant minister for community affairs of NUCA, confirmed that work in those 20 new cities is underway and "[the authority] will inaugurate the first phases by the end of 2019." Those new cities include New Administrative Capital (NAC), New El Fashn, New Mallawi, West Nasser, West Assiut, New Sphinx, New Obour, New Alamein, and New Mansoura cities.

REGULATORY REFORMS

The government has embarked on a reform agenda supported by the International Monetary Fund's (IMF) USD 12 bn loan package, which was approved back in November 2016. One of the first steps was the issuing of Law No. 72 of 2017 – known as the investment law – in May 2018.

The new legislation provides various incentives, including tax deductions for investments in underdeveloped areas, subsidies for industrial land acquisition, and the restoration of free zones for the private sector.

The law also aims to streamline and ease the investor's business and promote further real estate investment by speeding up the allocation and issuance of the required approvals, permits, and licenses.

In February, Khaled Abbas, deputy housing minister for national projects, announced in an official statement, "There is a progress in issuing licenses and ministerial decrees for any real estate project."

Additionally, the parliament is also working on a new law that would regulate the real estate development activity by clamping down on wildcat developers, creating a state-sponsored/ sanctioned federation for developers, and setting up a fund to hedge against sector-related risks - all to keep real estate deemed a safe haven.

In mid-February, Prime Minister Mostafa Madbouly gave directives to finalize the draft law within two months, which targets ensuring the continuity and stability of the Egyptian real estate sector, while guaranteeing the rights of all parties involved (i.e. developers and buyers).

REAL ESTATE EXPORTS

The state has been working closely with the private sector on boosting and promoting its properties abroad, while aiming to achieve "a total USD 4 bn of real estate exports within three years," Abbas revealed during Invest-Gate's "Branded Residences and Hotel Apartments Roundtable" on January 30.

This came a few days before Egyptian Minister of Trade and Industry Amr Nassar decided to activate the Real Estate Export Council, chaired by Rooya Group's CEO Hisham Shoukri, along with some council board members, including Mena Group Founder Fathallah Fawzy, Tatweer Misr Managing Director and Board Member Ahmed Shalaby, City Edge Developments' CEO Amr El Kady, and CEO of IWAN Developments Waleed Mokhtar.

On top of that, for the first time in the country's history, the state and private real estate developers joined forces under one pavilion and have been touring since last year a number of regional and international exhibitions, including Cityscape Global and MIPIM 2019, to promote its real estate products abroad, while marketing the country as an optimum investment destination in Africa.

On another note, Egypt has been holding its own exhibitions that are solely devoted to marketing Egypt-based real estate products to external markets, such as Egypt Property Show (EPS) in London and Nile Property Expo in Abu Dhabi, which contributed to sales worth EGP 1.1 bn in three days only in 2017.

CO-DEVELOPMENTS

To promote and increase the private sector's involvement in the country's economic and social development, the government, represented by NUCA, started to offer lands for co-development under revenue sharing agreements with private developers - or public-private partnerships (PPPs) - in exchange for a share of revenues or in-kind share.

The first PPP phase included signed agreements for five land plots with a total area of almost 5,027 acres, while the second phase witnessed the allocation of around 2,568 acres. As for the third phase, the government plans to offer 20 land plots in nine of the new cities.

This mechanism proved successful and helped developers increase their supply, offer better prices, and target a wider base of clients, while lessening the financial pressures of land prices on developers' budget.

TOURISM RECOVERY

Egypt's tourism figures are showing signs of recovery, backed by enhanced security and an increase in tourist purchasing power after the EGP Flotation. The government's official figures show that tourism revenues jumped by 123% to USD 9.8 bn in FY 2017/18 from USD 4.4 bn in FY 2016/17.

Overall, the sector is expected to witness further positive performance with remarkable new openings such as the Grand Egyptian Museum and Sphinx International Airport, which will further facilitate internal flight traffic and provide easy access to tourism destinations.

This should reflect positively on the real estate sector by encouraging new investors to enter the market, while prompting current developers to diversify their portfolio and expand outside the residential sector into the hotel sector.

On another note, integration of tourism and leisure resources into real estate projects do not only raise the value of surrounding properties, but also the type of clientele they attract - a game-changing strategy that the government and developers have recently turned heads to. Another benefit is that it helps turn the coastal areas into all-year-round destinations, which is the ultimate goal the government strives to achieve to further boost tourism.

OTHER SECTORS TO CONSIDER

Developers do not only have the residential sector to invest in; other sectors are also booming in the market and started to show some potential such as the commercial and retail fields, which boast as potential investment domains.

The average retail rents in Cairo only have increased by around 10% during 2018 but remained unchanged on a quarterly basis, according to JLL's "A

Year in Review 2018" report. This shows a soaring demand for units in such industry and reflects the continued recovery of the country's retail sector since the EGP devaluation.

The office sector is also continuing to show a healthy performance, with the new trend of flexible offices on the rise, making room for new investment opportunities. Flexible office spaces represent just 0.72% of the market's total stock, according to JLL's press release in March.

CHALLENGES TO OVERCOME:

LAND PRICES & CONSTRUCTION MATERIALS

Developers are still struggling with the sky-high land prices offered by NUCA as it burdens their fiscal budget and projects' feasibility, while putting strains on profitability. Shortage of affordable lands also made it less viable for developers to make money on low-end developments.

The rise is mainly driven by many factors, including the cost of lands' public infrastructure. In addition, the developers' high competitive bids on the lands offered by the government under the PPP scheme further raise the ceiling of land prices.

Other contributors include the rise of construction materials, with the same percentage of inflation increases. This raises questions on the developers' ability to pass these new price hikes to end-customers and maintain their profit margins.

FINANCING

In February 2014, the CBE has launched the mortgage initiative with intents to offer long-term financing of up to 20 years, with an interest rate of 5-7% for low-income and 8% for middle-income housing, before later introducing an upper-middle category with an interest of 10.5%.

The CBE allocated EGP 10 bn for the initiative's first phase in 2014, and then brought the total financing to EGP 20 bn in 2017.

However, in early 2019, the central bank has decided to limit offering mortgage finance to low-income citizens only, providing them with interest rates of 5-7% for a maximum period of 20 years.

Although the government has been taking measures to support the growth of the mortgage industry, yet there is low penetration in the home financing segment due to mortgage providers' inability to tap into the middle- and upper-income brackets.

This makes the developers play the role of the bank in many cases in terms of providing financing facilities to its clients, such as low or zero down payments, and extended payment plans of up to 12 years with minimal or no interest rates in some offers. In return, this partially affected the developers' liquidity, and thus, projects' execution progress and deliveries, as well as, expansion plans.

On another note, most developers are now dependent on self-financing their projects through off-plan sales due to the high interest rates.

MACROECONOMIC ENVIRONMENT

The macroeconomic environment is still influencing the real estate developers in Egypt. There are instability and slowdowns in the consumer purchasing power due to complications that have arisen from currency depreciation and cuts of oil, electric, and gas subsidies.

Compounded by the government's decision to reduce fuel subsidies under the 2016/17 budget, a hike in real estate prices by an average of 15-20% has been witnessed, the same percentage rise of inflation rates.

In this regard, building for the low-income class at a profit remains a challenge for developers, and thus, most of them started to compete to cater to the upper segment of society, which only accounts for 14.1% of Egyptian population, calculated based on segmentation of electricity users by consumption levels as published by CAPMAS' 2017 data.

In conclusion, the government puts numerous plans on the table that are aimed at solving such issues, yet they are likely to persist in the short term. For these challenges to unfold sooner, the private sector needs to work more closely with the government and in line with its vision. Joint efforts shall be directed toward several ranges, including the availability of affordable lands for private developers, enhancing access and efficiency of mortgage finance, and facilitating funding solutions to guarantee more sustainable options for investing developers.



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REAL ESTATE SCENE

AFTER FLOTATION

BY **SARA MOHAMED**

Following the free float of the EGP, a number of economic and political headwinds were witnessed in the Egyptian real estate scene, pushing companies to be creative in designing, funding, and marketing projects. However, with the fluctuations in the USD exchange rates and recent subsidy cuts, it is certainly important to ask a few questions at this point; how has the EGP Flotation impacted the housing sector in terms of implementation costs? A more specific question would be: what kind of imprint do the latest whooping rises leave on both developers and contractors?



To answer these questions, Invest-Gate examines the bigger picture to assess such concerns from a strategic standpoint, identify means of coping with higher costs and changing market trends, and provide some forecasts on how this issue will unfold.

LOOMING SPECTER OF IMPLEMENTATION COSTS

Real estate and construction sectors are essentially two sides of the same coin; they are often existing side by side and are mutually reinforcing, each contributing to and accentuating the other. Concerning the Egyptian building industry, it is bracing both the best and worst of times.

At the outset, the state has placed the construction sector at the heart of its economic agenda, ensuring that there will be a profusion of contracts available in this juncture and the foreseeable future. Per contra, efforts to reform economic conditions, through the removal of fuel subsidies and the EGP Flotation in November 2016, have resulted in some price pressures and detrimental effects on contractors.

In June 2017, the petroleum ministry announced fuel price hikes of up to 50% to help meet the terms of the USD 12-bn International Monetary Fund (IMF) loan deal, the second increase since the currency Flotation. In addition, under the latest round of subsidy removal in June 2018, fuel prices for brick and cement makers rose by 40%, from EGP 2,500 to EGP 3,500 per ton, Petroleum and Mineral Resources Minister Tarek El Molla earlier stated in an official statement during the same month.

It was not only the removal of fuel subsidies that heavily affected the Egyptian market, but electricity prices also shot up across the board. Not long ago, the state has leaped the electricity costs for the residential, commercial, and industrial sectors, with a variation in the rise for each field depending on its type and energy consumption.

With the first round of increase taking place in August 2016, new cuts to electricity subsidies were embraced in June 2018, raising prices by an average of 26% from July 2017 and resulting in a 42% surge in electricity costs for factories, according to Electricity Minister Mohamed Shaker.

Furthermore, the government has said electricity subsidies will be completely phased out by the end of FY 2021/22, aiming to keep the country's subsidy reform program on track.

With mechanical and electrical strains combined, property developers reported that the cost of raw materials had jumped by 300% since 2015, bracing a simultaneous rise in unit prices, according to Oxford Business Group's (OBG's) "The Report: Egypt 2018."

Case in point: in a press conference attended by Invest-Gate on February 18, CEO of Beta Egypt for Urban Development Alaa Fikry confirmed, "[The company] has witnessed an 80% hike in its planned costs, due to the rise in building prices following the EGP Flotation."

Likewise, other developers were overwhelmed with price hikes in the same manner such as Al Ahly Sabbour Developments. Ahmed Sabbour, the company's CEO, said in a press round-table covered by Invest-Gate on March 10 that "following the EGP Flotation, implementation costs spiked by 42%." For the current year, he expects a 20% increase in unit prices, particularly after the climbing prices of fuel, as well as, rising prices of steel and cement. "Before the latest round of increases, property prices were already anticipated to mount by 10 to 15%."

In essence, prices of steel products surged by nearly 100%, hitting EGP 9,000-9,600 per ton in June 2017 versus EGP 7,500 in the year-ago period. Cement prices swelled by the same value, logging EGP 750-900 per ton in June 2017 from EGP 550 a year earlier, Ahmed El Zaini, chairman of the Building Materials Division at the Federation of Egyptian Chambers of Commerce (FEDCOC), earlier told the local press.

However, during the coming period, the official expects a decline in cement prices after the Beni Suef Cement Plant starts operating at full tilt - which will run at an annual production capacity of 13 mn tons, as well as, the return of Sinai factories' operations on a regular basis after a long-term halting of production at Arish Cement Factory, he stated back in October 2018.

In a bid to develop a wider scope to properly assess the market, below is a yearly chronicle of the estimated prices of building materials since the EGP devaluation until February 2019, provided by Invest-Gate's R&A team:

	2015	2016	2017	2018	2019 (FEBRUARY)
STEEL BARS (EGP PER ACRE)	4,963	9,837	11,970	12,250	11,650
CRETAL STEEL (EGP PER ACRE)	4,963	9,837	12,500	12,300	11,500
PORTLAND CEMENT (EGP PER ACRE)	577	692	780	850	840
COARSE SAND (EGP PER SQM)	47	60	64	65	65
SOLID CEMENT BRICKS (EGP PER 1,000 BRICKS)	350	450	912	1,060	1,060
BRICK HOLLOW CONCRETE (EGP PER 1,000 BRICKS)	899	1,050	4,332	5,200	5,000

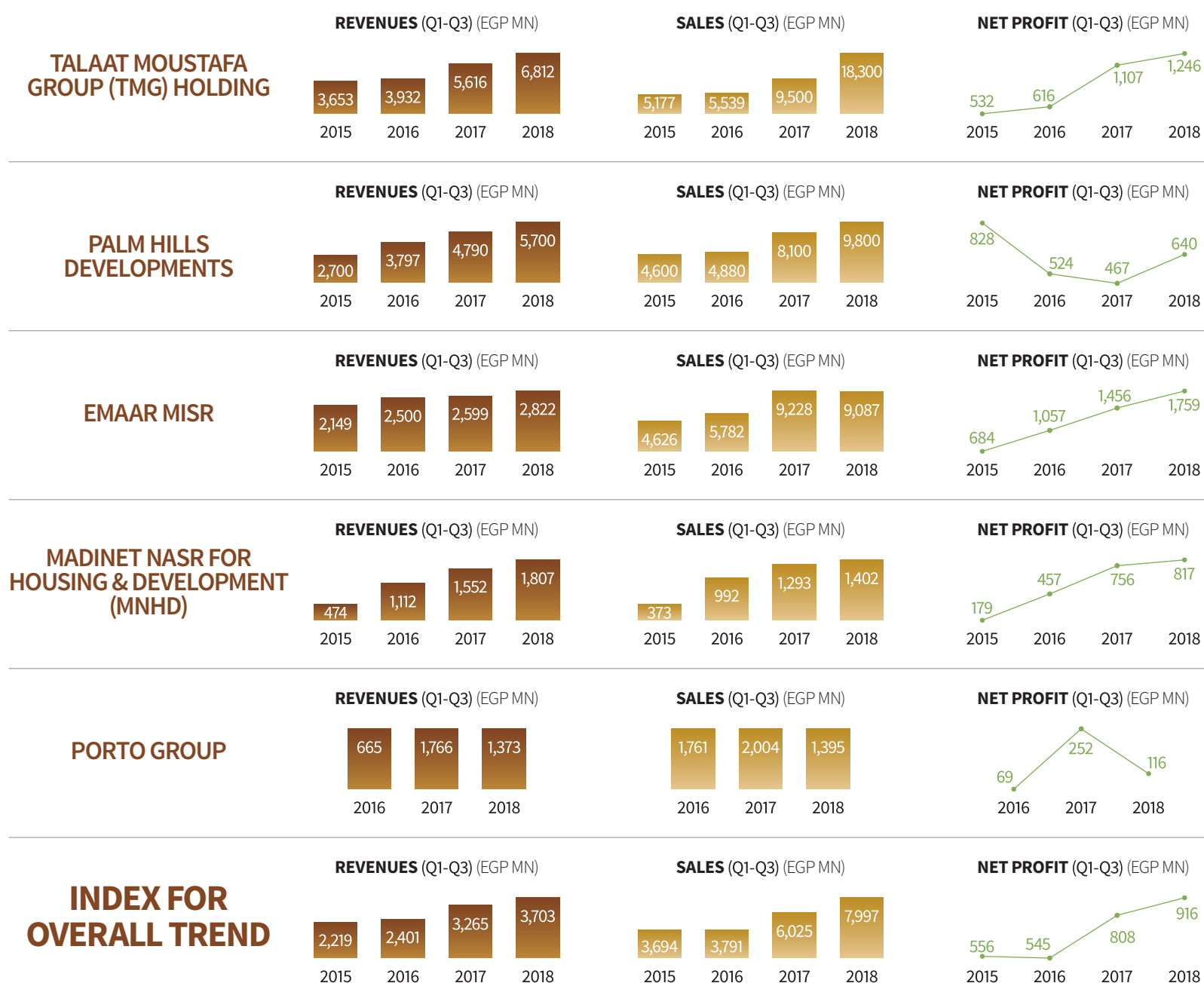
FLOTATION AFTERMATH ON PRIMARY MARKET

There is no doubt that the whooping hikes had some knock-on effects on the Egyptian real estate market as property developers had already been obliged to up their prices under such circumstances due to the consequent increase in implementation costs. Within a week or two after the devaluation, most housing companies had soared their prices by 15 to 20% to maintain profitability.

In this regard, it is certainly important to thoroughly analyze the real estate developers' profitability over the course of the past four-year period and compare their performance now and then. After all, one might assume that a problem of affordability may arise on the supply line, yet, this was not the abstract trend for most companies, at least for the listed ones.

TOP FIVE ACHIEVERS

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



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

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



Beating the odds, strong sales throughout the past period have kept the property sector on track, with most developers logging a solid increase in sales, revenues, and net profits.

Generally speaking, listed real estate companies' revenues rose to EGP 3.7 bn in the first three quarters of 2018 from EGP 2.4 bn in the same period in 2016, while recording higher net profit of EGP 916 mn in Q1-Q3 2018 versus EGP 545 mn in the corresponding period of 2016.

Listed property developers also witnessed an upsurge in their contracted sales, logging almost EGP 8 bn during the first three quarters of 2018, compared to EGP 3.8 mn in the same period of 2016 - with Talaat Moustafa Group (TMG) Holding and Palm Hills Developments chipping in with record-high sales of EGP 21.3 bn and EGP 10.5 bn, respectively, in FY 2018.

Delving deeper into the developers' sales, Palm Hills, for example, managed to boost the number of units sold by 12.08%, selling 3,102 properties in 2018 versus 1,894 in 2016.

Such exceptional performance can be attributed to the fact that the fluctuations in local currency, together with soaring inflation rates, have lured residents to the property investment market. This is mainly because consumers had a greater incentive to buy now rather than wait, especially those looking to hedge against the post-float mounting prices, seeing home-ownership a stable investment opportunity despite various periods of uncertainty and instability. As a result, demand for real estate continues to outstrip supply, even amid pressures on developers to raise prices further due to foreign currency shortages, soaring construction costs, and weakening local currency.

Elevated interest from major investors and developers has kept the market healthy, as existing projects expand and new projects hit the pipeline. It seems like the general long-term demand drivers in the market are also showing positive indicators, impelling real estate companies to stay apace and supply the market with more properties.

Despite all recent market changes, the demand for housing in Egypt remains colossal, and it is mainly fueled by the fast-growing population of more than 90 mn people and with nearly 900,000 marriages taking place every year. Those newly-wed couples, indeed, will be looking to move into their own new homes and invest in a property for a safe future.

When Invest-Gate spoke to Mena Group Founder Fathallah Fawzy back in January, he said there are 150 developers currently operating in the Egyptian market, delivering 25,000 units annually for upper-middle and upper-class housing, 80% of which are located in Greater Cairo - especially its east and west edges. However, Colliers International argues that such supply still comes up short. It predicts that almost 90,000 to 100,000 units will be needed per year by 2020 to fill the gap. Consequently, there is a substantial opportunity for revenue generation among volume-driven segments.

SO WHAT'S NEXT?

The promise of appreciating property values has supported demand for real estate thus far, but spiraling inflation may seriously erode buyers' affordability for houses. Some developers remain bullish about the prospects for the sector moving forward, and certain trends point towards an imminent upturn.

Beta Egypt's Fekri anticipates that the first quarter of 2019 will see lower real estate sales than the same period last year. He attributed his forecast to the expected new price hikes and added taxes, which are to be reflected on unit costs and consumers' purchasing power.

He also argues that interest rates of lands offered by the New Urban Communities Authority (NUCA) are currently sky-high, adding that the authority has to reconsider such interest rates to stimulate the country's urban area development.

On another note, the upswing in demand in the market is largely, although not exclusively, driven by end users. However, the substantial need for housing remains among the lower-income segments of the market that are not captured by private developers. This portion of the Egyptian population can be potential homebuyers and investors if real estate companies fittingly addressed them.

For one, homes in gated communities have become too expensive and those outside are markedly cheaper. Thus, it is certainly time for developers to figure out additional means to provide much affordable housing and to also cater to all classes, and not only the high-end ones, in order to secure higher demand and profit. A definite catalyst would be lower down payments, more flexible payment terms, and further offerings in major and new cities.

Meanwhile, property developers may soon start to gain confidence in the application of such mechanisms for that one of the positive outcomes of the EGP Flotation is that Egyptian construction companies are now, more than ever, looking to maximize the usage of local materials. In addition, the government has been exerting efforts to construct new plants and industrial zones to produce raw materials locally. These are all good news for both contractors and developers, and it will certainly be reflected in the implementation and operating costs and may also result in more remarkable market performance and stable unit prices in the future.

At all events, there is no simple solution for Egypt's housing woes, particularly in the private sector, but what Invest-Gate can foresee is an ascending appetite for real estate although the supply pipeline remains relatively limited for the time being. Although the knock-on effects have dampened the market in general, the medium- to long-term outlook looks more promising, with competition growing among developers and sales steadily climbing as demand and supply revive. This owes to the fact that the sector has long been viewed as a safe financial bet and will remain as such as the local currency stabilizes and foreign investment increases.

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Residential Mobility is the residence relocation process done by an individual or a family as a result of changes in either their own characteristics and needs or external factors effects.

After the new rental law 1996 in Egypt, the housing mobility started to appear in the Egyptian communities in form of rental housing, then with the expansion of the new urban cities, it became a noticeable phenomena.

But what are the factors pushing households to move?

SIX MAIN FACTORS



Family Characteristics

Age (Family Lifecycle) – Income Level – Marital Status – Educational Level – Job Seeking



Housing Characteristics

Spatial Factors – Expansion and Contraction in Space Requirements – Tenure Status



Economic Factors

Demand and Supply Market Fit – Affordability (Housing Cost) – Cost Mobility



Political Factors

Government Support – Financial support (Incentives) – Mobility Managing – Housing Policies



Legislative Factors

Rent Duration – Annual Increase



Social Factors

Social Relationships – Young Adults Leaving Parental Homes

LEVELS OF RESIDENTIAL MOBILITY IN EGYPT – DEPENDING ON ONE OR MORE OF THE ABOVE FACTORS

Neighborhood Level

From 1st Settlement to 1st Settlement – New Cairo

City Level

From 1st Settlement to 5th Settlement – New Cairo

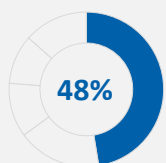
Governorate Level

From New Cairo City to Sheikh Zayed City

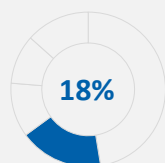
National Level

From Cairo to Alexandria

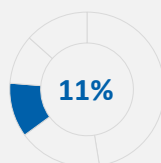
REASONS OF RESIDENTIAL MOBILITY IN EGYPT



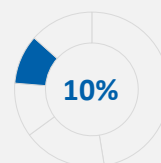
For Marriage



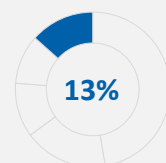
For Space Adjustment



Adults Leaving Parental Homes



Moving From Rent To Buy

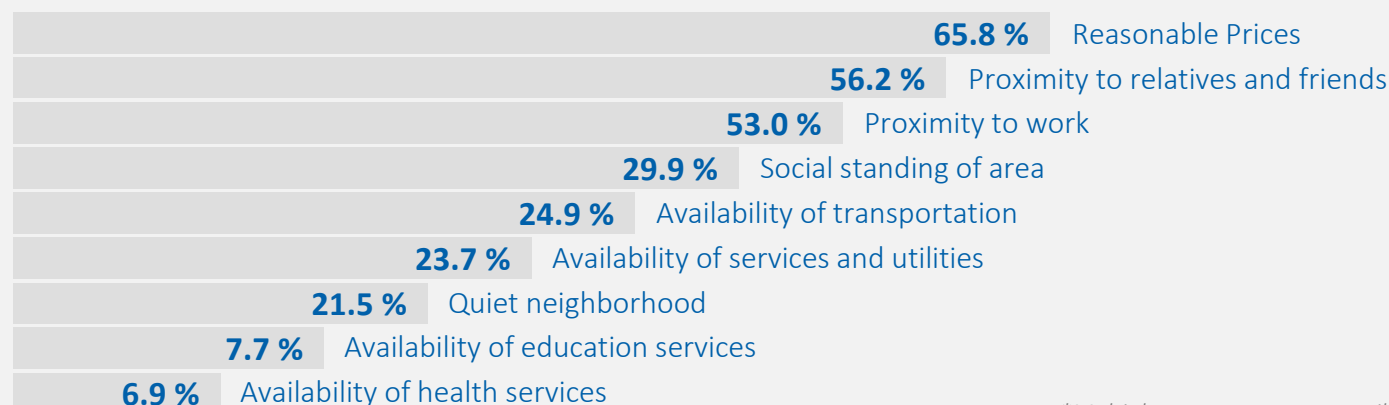


Other Reasons

R E S I D E N T I A L M O B I L I T Y

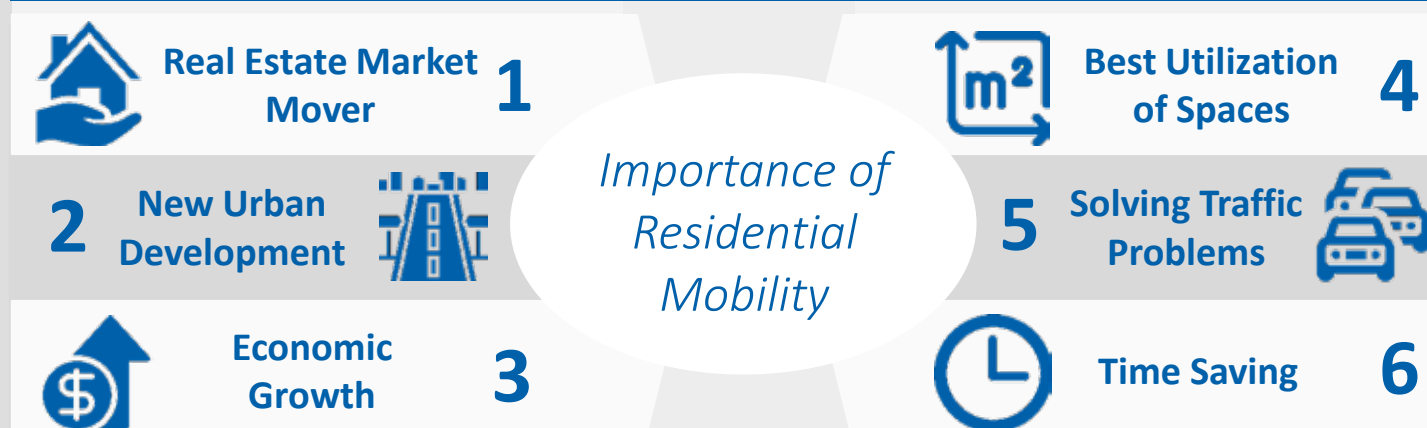
The Next Market Mover ?

DECISION DRIVERS ENCOURAGING MOBILITY



**Multiple responses were possible*

MAIN MOBILITY BENEFITS



CONCLUSION



The residential mobility is not beneficial only to the country and the macroeconomics, but it is also reflecting directly on the microeconomics and on each individual in a clear way by helping in reducing the gas consumption, saving time, achieving better productivity, and fitting housing needs. These statistics stated are not constant, as the real estate market in Egypt is developing and changing, those numbers are getting higher and higher.

As a huge market mover, will the residential mobility be the next player to change the game?

It is time when the developers should pay attention and react to the fast changing market and its trends to be able to stand out of the competition and come with new real estate concepts and products.

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CONSUMER BEHAVIOR & MARKET TRENDS UNDER MAGNIFYING GLASS

BY MAHMOUD EL-ZAHWEY



Over the past few years, it was quite hard to track the real estate market trend lines and constantly changing dynamics. Whilst not enough data are released on the changes of the Egyptian property market with a rigorous analysis of the country's consumer behavior, developers and industry leaders have always been keen on gauging the buyers' tendencies and preferences, aiming to develop a full understanding of their attitudes and motives; such factors should be borne in mind while setting out effective marketing or sales strategies.

Coinciding with its second anniversary, Invest-Gate delves into the consumers' interactions with the rapid market moves, showcasing selected figures and data, while pinpointing the most significant characteristics of the Egyptian buyer Behavior and recent real estate market trends.

DEEP DIVE INTO MARKET DEMAND

Generally speaking, the Egyptian consumer Behavior has witnessed violent swings following the currency devaluation and monetary policy decisions made by the Central Bank of Egypt (CBE) as of 2016, with demand on properties remaining firm despite the lessening consumer purchasing power and income level.

In a previous interview with Invest-Gate, Chairman of Sabbour Consulting Hussein Sabbour said, "I am not worried at all about our real estate market because of the ongoing demand given the country's demographics. This business can drop at times, but there will always be a demand on real estate."

Amid a high demand on real estate products, consumers' activities and tendencies were the main drivers of the government and private sector decisions over the past four years. To fully comprehend the consumers' attitudes, we should first catch a glimpse of the market's segmentation and demographics.

The majority of active homebuyers among the B and C classes, for instance, are aged between 30 and 50 years, while the most active buyers, belonging to class A, are a bit older. This can be explained when recognizing that the number of annual marriages has exceeded 900,000 over the past three years, and almost all of the newlyweds are looking for new residences.

In terms of social classes, Invest-Gate's R&A team found that the lower-income category generated a buoyant demand on residences of Cairo and Giza, accounting for an approximate number of around 167,700 units during FY 2017/18, and outstripping the middle and upper classes, whose demand was estimated at 66,100 units.

Additionally, previous findings by Invest-Gate revealed that the Egyptian market's low- and mid-income segments, in particular, are heavily undersupplied, generating a housing gap of around 3 mn units. For this reason, the govern-

ment strives to intensify its efforts to provide residential units for lower classes, allocating around 90% of the country's housing budget to the social housing schemes.

Considering some demographic facts, coupled with the economic circumstances, and other internal and external determinants of the human Behavior, purchasing decisions in such high involvement products gradually became very complicated and urged consumers to conduct a careful investigation and make a detailed comparison before going ahead with any deal.

Sales Manager of Orientals for Urban Development (OUD) Ahmed Zaalouk told Invest-Gate in a recent feature titled "Property Market in Young Homebuyers Eyes" that buyers are now aware of how everything goes in the market and they build their reasonable choices on a wide knowledge of every detail about the units.

Accordingly, it has been found that the main objective of buying homes in Egypt across all classes is for investment purposes, followed by relocating or acquiring a first home, while other reasons like upsizing or buying a coastal or second home were much less favorable among consumers.

Back in February 2018, Invest-Gate figured that around 60% of units sold in the New Administrative Capital (NAC), for example, were bought for investment, while the real demand accounted for only 40%. This gives a clue about the mindset of the Egyptian consumers, who still perceive buying a housing unit as a safe haven and prefers the property industry over other investment options.

Nowadays, many homebuyers consider real estate investment as a money pot. Purchasing a housing unit for a long period of time is a wise investment decision consumers will opt for to have the value of their money appreciating or reaping a high return when offering the unit for rent or sale in the resale market.

DYNAMICS OF BUYER BEHAVIOR

Consumer activities vary across the real estate market's sub sectors. Since the EGP Flotation back in 2016, the industry's sentiment has been highly volatile, with dealmakers instantly and robustly reacting towards the sudden and radical changes in the market.

RESIDENTIAL: PRIMARY, RENT, OR RESALE?

The economic conditions must have influenced buyers' trends in the residential market over the past years. In fact, the currency devaluation had a positive impact on clients' attitudes and accelerated their buying decisions, driving further growth in the primary market. With prices rising rapidly, homebuyers started to realize that it is always better to purchase now rather than later.

Since 2016, resale activities lost ground against the primary market, which has witnessed an increasing local demand due to the extended payment facilities and other benefits developers began to offer to attract more investors.

Unlike the resale market, which calls for 100% cash-up front, flexible payment terms - that require minor or even zero down payments and extended installment plans, along with the provision of smaller-sized units, acted as developers' effective strategies to lure buyers and boost demand in the primary market.

The slowdown seen in the secondary market can be further attributed to the market's forecast of new offerings at more competitive prices in the short run.

On another note, the rental market has flourished and promoted itself as a perfect alternative for the primary market, especially for the lower category of buyers, who can not afford buying a house, giving them some relief from decreasing affordability levels.

In February 2018, Invest-Gate shed some light on the rental activities and examined Cairo's rent market as an unignorable part of Egypt's residen-

tial sector and a rising trend, in light of the current economic situation and dropping purchasing power.

It has been indicated that a soaring demand on rental properties can be witnessed in specific locations such as Mohandeseen, Maadi, 6th of October City, and New Cairo's El Rehab and Madinaty - with workers operating in these areas incapable of purchasing a house in these high-priced neighborhoods and opted for the rent option instead.

As a matter of fact, JLL's latest report indicated that 6th October City marked the strongest performing rental market in 2018, with an increase of 17% and 14% in apartment and villa rent rates, respectively.

LOCATIONS OF INTEREST

Picking the right location for residence is undoubtedly a number one priority for consumers. Some specific locations have established themselves as luring real estate investment destinations and stood out among others.

For example, a shift towards units in west Cairo is looming, given the easing competition in this area and much lower land prices versus the excessive supply and rising prices in east Cairo.

On top of the recent market trends, the new cities come as a plot twist in the Egyptian real estate scene, with the government proceeding with plans to establish and develop 20 new cities. Such move was well-perceived among homebuyers, who shifted their demand to these promising spots, including the country's unprecedented and one-of-a-kind national project of the NAC.

Some Young homebuyers earlier told Invest-Gate that they prefer to live in dwellings located at the new cities such as Mostakbal City, NAC, New Alamein, and New Mansoura. They noted that housing units offered at these new cities are fully-fledged and more secure, in addition to being deemed a good investment opportunity.

In fact, each consumer has his/her own preferred locations; those looking for rent, for example, are mostly concentrated at locations like Maadi and 6th of October City, while second-home seekers go for Ain Sokhna and the North Coast rather than other coastal cities due to several reasons, including their closeness to Cairo, and the relatively reasonable prices of units being offered and their continuously appreciating values.

OTHER MARKETS GAINING GROUND IN EGYPT

Despite some hindering barriers like the lack of security and confidentiality, several market trends are beginning to rise in Egypt and show some positive signs of being sound. During the past four-year period, an increased investor confidence has been particularly witnessed in the commercial, retail, and office markets.

When it comes to the commercial market, fresh office market trends and latest retail developments should come into play, reflecting the consumers' most active tendencies and contributing to portraying the full image of the country's property market.

A total of 300,000 square meters of mall-based retail space was added to the Cairo market in 2018, with major developments scheduled to be finalized soon and expected to add further 375,000 square meters to the city's retail space in 2019, according to JLL's recent estimates.

Such growing supply was met by a significantly increasing demand, as average retail rents have surged by around 10% in 2018. A continued rise in



demand is highly anticipated with consumers benefiting from an increased number of choices and developers offering more developments with different retail approaches.

Office market was no exception. The subsector maintained an extended growth at a healthy pace as demand for completed space was driven by the relocation of local businesses and continued demand from multinational firms. The massive number of investment under way also suggests a higher demand during the upcoming period.

As part of its vision to heed the changes seen in the various markets within the real estate sector and to scout the fresh trends emerging among both developers and consumers, Invest-Gate earlier found in the December

2018 issue that there is a slight expansion in the retail and office supply, in addition to an increasing strong demand towards the commercial sector.

The so-called co-working spaces or flexible offices mark the hottest and most remarkable trend on the commercial real estate level, offering an optimum solution for bootstrapping strategies that are aimed at cutting administrative expenses.

After all, commercial real estate, together with retail and office markets, mark a reliable indicator for the market sentiment with new trends emerging, such as co-working spaces and medical developments, saying a lot about the consumer Behavior and paving the way for developing companies to incorporate new approaches and strategies.

DETERMINANTS OF CONSUMER BEHAVIOR

After all, one must savvy that consumer Behavior can get affected by multiple aspects, including internal and external determinants. Hereof,

Invest-Gate attempts to illustrate such factors, and their impact on investors' decisions:

INTERNAL DETERMINANTS

MOTIVATION

Consumer Behavior is need-driven and buyers are always in search for units and products that match and satisfy their needs.

PERCEPTION

Different tastes and perspectives resulting from selective attention, distortion, and retention drive different purchasing decisions.

KNOWLEDGE & LEARNING

Homebuyers like to learn more about the offered projects and the developers' background. This learning experience stick to the back of the buyers' head when making purchasing decisions.

SELF-CONCEPT

Consumers always tend to pick the designs and architectures that will satisfy their self-image, especially when it comes to choosing a house.

LIFESTYLE

This is highly associated with the facilities and services that suits the consumers' way of living.

EXTERNAL DETERMINANTS

REFERENCE GROUP

Homebuyers trust the choices of their social circle and most probably build their purchasing decisions on offered recommendations.

CULTURE

Needless to say, consumers act as part of their society and get affected by its values and beliefs.

SOCIAL CLASS

Varying units' modules are suitable for different social classes. Successful developers customize their projects for all segments of buyers.

ECONOMIC SITUATION

As mentioned, the successive economic events weigh on the real estate market and the consumer decision making process.

LET'S GET THIS STRAIGHT

In conclusion, the consumer is always the key game changer in the real estate industry and Invest-Gate reckons that catching up with the consumption habits and trends is the most successful approach market players can follow.

While a number of market trends are now being widely discussed across different levels, new and emerging trends that are not yet popular in Egypt

should be carefully eyed, as they are expected to gain momentum in the coming years. Meanwhile, developers must consider consumers' preferences in their long-term strategies, only if they want to address the highest number of clients.

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