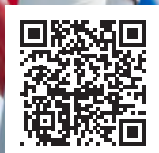


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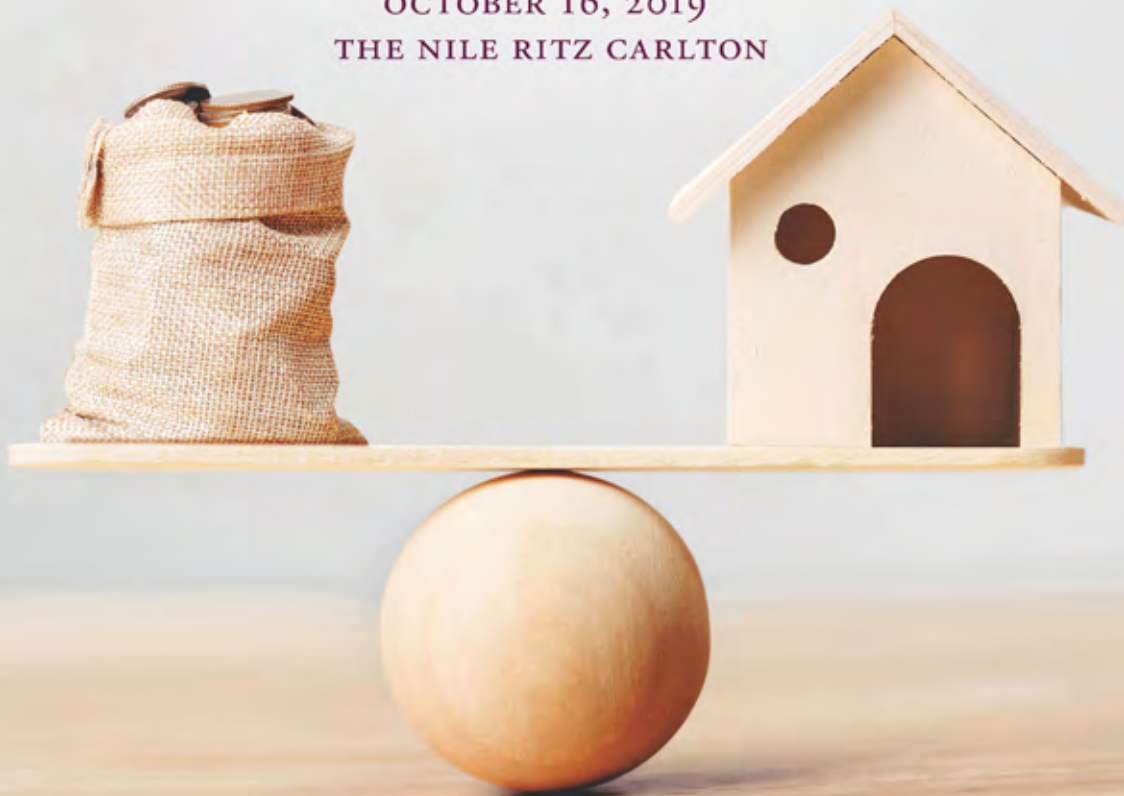


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## EDITOR'S LETTER

Now that summer is over and we are back to business, the real estate market has had its many ups but we foresee some downs. So join us on the real estate roller coaster ride this September, where we examine its peaks and downfalls throughout 2019 so far.

This month, we explore how the property market is driven by seasons and how it is affected by the general purchasing power. We identify this power and highlight where the real demand needs to be met the most.

To overcome some of the sector's downfall or slow activity, featured in this issue are some of the successful techniques giant real estate developers have resorted to, generating sales and rebooting activities.

We sit with market expert Eng. Fathallah Fawzy to learn more about market drivers and where this sector is heading. As many have doubts about its activity and believe that its slowdown has begun, Fawzy shares some insights and gives readers a proper analysis of what lies beneath.

Gone are the summer day, yet thanks to our pleasant weather, Egyptians are still blessed with short vacations along our fall season, mainly across the Red Sea and Ain Sokhna; and that's why Invest-Gate has put together a light insightful piece, opening your eyes on the latest second home design trends. So make sure you read it before you start designing your vacation home.

Hope you have enjoyed this summer!



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PUBLISHER  
**MOHAMED FOUAD**

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# MISR ITALIA PROPERTIES BRINGS 1<sup>ST</sup> VERTICAL FOREST TO MENA REGION

Green spaces are more than just picturesque plants; they provide important functions to the surrounding environment! From offering birds a comprehensive habitat to elevating the levels of pure oxygen, increasing green spaces is an attainable tool to combat pollution. Misr Italia Properties is an avid advocate of developing progressive projects for a better future, with a portfolio reflecting its vision to constructing environmentally conscious communities, surrounded by vast greeneries, at the heart of the city.

Misr Italia Properties has been at the vanguard of developing Egypt's leading property market for years. In continuation to its array of ventures, the real estate expert has brought the acclaimed Italian architect Stephano Boeri, founder of the "Vertical Forest" concept, to establish the very first vertical forest in the Middle East and North Africa (MENA) region. The environmental and real estate breakthrough will be built at the heart of Misr Italia Properties' IL BOSCO, its latest integrated project in the New Administrative Capital (NAC).

The agreement signed between Misr Italia Properties and Boeri to create Egypt's first vertical forest is driven by a desire for innovation and creativity, as the property developer aims to introduce trend-setting concepts, which can improve the Egyptian real estate sector and sustain the country's plan to achieve environmental progress and provide a bright future for next generations.

With pollution endangering the planet's greeneries, Misr Italia Properties is determined to expand Egypt's current quota of green spaces. IL BOSCO's "Vertical Forest" project is an essential contribution to the North African country's green belts, which only occupies 10% of Egypt's total area. The new development will mainly boast three 30-meter buildings, perfectly blending both nature and architecture. Wrapped within thousands of green plants and trees that are nestled on balconies and windows, the newly-introduced concept aims to limit pollution and reduce population density in urban cities.

With investments totaled at EGP 3 bn, IL BOSCO will have one of the Vertical Forest buildings hosting serviced apartments that will be operated by a five-star deluxe international hotel chain, to be announced soon. The other two buildings, however, will feature branded apartments ran by the same chain. With construction works scheduled to start in 2020, and expected to be delivered by 2023, the green community is about to transform the real estate industry for the whole region.

Generally, the new concept was granted numerous awards, including the "International High-Rise Award" in 2014 and "Best Tall Building Worldwide Award" in 2015 by the Council on Tall Buildings and Urban Habitat (CTBUH). The model kickstarted from Milan in Europe, before spreading into other continents and now being brought by Misr Italia Properties to the MENA region.

Boeri, the mastermind behind the concept, is collaborating with Egyptian designer Shimaa Shalash as a local partner, as well as, the botanist and landscape designer Laura Gatti, to design architectural masterpieces that surpass expectations of both residents and visitors of NAC's IL BOSCO.

Misr Italia Holding is known for providing paramount projects in the residential, commercial, coastal, hospitality, and leisure sectors across Egypt. It has grown to become one of the largest developers, with total investments of EGP 68 bn. The company's land bank totals 11 mn square meters across the North African country, with 11 residential projects, nine commercial projects, five luxury hotels, and 6,000 delivered units. The developer's flagship projects include IL BOSCO, Vinci, and Vinci Street in NAC, in addition to La Nuova Vista, Garden 8, Hilton Garden Inn, and Cairo Business Park in New Cairo, IL BOSCO City in Mostakbal City, Kai Sokhna and Hilton Kai Sokhna in Ain Sokhna, and Kai Sahel on the North Coast.







## HOUSING MINISTRY FINALIZES 1,080 DISTINGUISHED UNITS IN NEW ALAMEIN

Minister of Housing, Utilities, and Urban Communities Assem El Gazzar has announced that 1,080 distinguished housing units, or 80 buildings, have been finalized in New Alamein, out of the total 1,920 apartments underway, Invest-Gate reports.

Additionally, New Alamein's Sakan Misr middle-income project is witnessing the development of 4,096 housing units, nestled across 128 buildings, with a completion rate of 15%, El Gazzar said in an official statement on July 31.

A total of 15 towers are underway, stretching up to 41 floors and comprising nearly 4,500 units, the minister highlighted, confirming that the towers' finishing works are being carried out in parallel with construction works. He explained that residential units at New Alamein's downtown area are merely 55% done. Besides,

lakesides and islands in the eastern part of the coastal area are under development.

El Gazzar also referred to the new city's 260-acre heritage area, which is roughly 47% implemented and embraces nearly 70 service projects, including the main lake, a central park, a mosque, a church, a Roman theater, an opera house, a cinema complex, a kids area, presidential palace, a number of commercial buildings, hotels, to name a few.

Meanwhile, four engineering faculties at New Alamein International University for Sciences and Technology are set to start running in the next academic year, with concrete structures 80% done. Finishing works have been initiated at the 62-acre campus, which encompasses 12 colleges, 34 buildings (faculties, dorms, creative center, library, cafeterias, and others), and Al Alamein National University.

## EL-SISI APPROVES AMENDMENTS TO NEW INVESTMENT LAW



President Abdel-Fattah El-Sisi ratified on July 31 amendments to several provisions of the New Investment Law, promulgated by Law No. 72 of 2017, Invest-Gate reports.

The new amendments, drafted by the government, aim to address on-ground predicaments and challenges. The changes chiefly allow expansions of existing investment projects to benefit from incentives provided to new ones, the Official Gazette revealed.

The presentation of data of investment projects to concerned bodies, including that used in statistics, will also be orderly regulated. Besides, the new amendments will impose new fees in exchange for ratification of companies' contract signatures, regardless of the investment system subject to it, it added.

On her part, Minister of Investment and International Cooperation Sahar Nasr praised the reforms, emphasizing that it will positively impact both local and foreign investments to the country.

## GOV'T ALLOCATES 15,000 ACRES FOR NEW CITY IN MINYA

Egypt's Supreme Council for Planning and Urban Development has approved allocating 15,000 acres for setting up a new city in the Upper Egypt governorate of Minya, dubbed "New Bani Mazar," aiming to develop an urban community that hosts distinct types of residences, Invest-Gate reports.

Nestled in the Nile River's west bank, New Bani Mazar will encompass an array of residential properties, ranging from distinguished to middle-income and affordable housing, all complemented with infrastructure works, utilities, services, and various activities, Cabinet Spokesman Nader Saad said in a ministerial statement on August 6.

This came during a meeting headed by Prime Minister Mostafa Madbouly, in the presence of Minister of Planning and Administrative Reforms Hala El Saeed, Local Development Minister Mahmoud Sharawy, Minister of Housing, Utilities, and Urban Communities Assem El Gazzar, alongside Environment Minister Yasmine Fouad and Minister of Agriculture and Land Reclamation Ezzeddin Abu Steit.

During the meeting, the council also agreed on the transport ministry's request to alter the utilization of nine plots in Cairo, Alexandria, and some eastern governorates, owned by the Holding Company for Roads, Bridges, and Land Transportation Projects, from industrial to mixed urban use (residential, commercial, and recreational).



Also, the petition of Egyptian Company for Real Estate Asset Management and Investment to change the usage of some lands owned by the National Bank of Egypt (NBE) and Banque Misr, and are being managed by the former firm, has been approved. Under the new amendments, land activities of 15 parcels in Cairo, Giza, Alexandria, Beheira, Kafr El Sheikh, Minya, and Assiut will be shifted from industrial to mixed-use (residential, commercial, administrative, and entertainment).

The council also sanctioned the establishment of National Project for Poultry Investment across nine zones in Egypt, varying in sizes between 6,000 and 8,000 square meters, notably Luxor, New Valley, North Sinai, and Qena, coming in line with the state's efforts to develop livestock, and in view of the project's significance.



## MISR ITALIA, STEFANO BOERI INK DEAL FOR VERTICAL FOREST DESIGNS

Misr Italia Properties held a press conference on July 31 to commemorate the signing of a cooperation agreement with Stefano Boeri Architetti to integrate the brand new architectural design concept of vertical forests at its integrated project in the New Administrative Capital (NAC), IL BOSCO.

Developed at a total investment value of EGP 3 bn, IL BOSCO will incorporate vertical forest designs that will mark the first of their kind in Egypt and the Middle East and North Africa (MENA) region.

The designs will be presented in three luxury buildings, boasting serviced and branded apartments that will be operated by a renowned international hotel chain to be announced soon.

During the conference, Co-CEO of Misr Italia Properties Mohamed El Assal stated that the company is keen on adopting trend-setting design concepts to improve the Egyptian real estate sector and support



the country's extensive efforts to achieve environmental sustainability.

"Establishing the very first vertical forest in Egypt and the Middle East aligns with Misr Italia Properties' vision to construct environmentally conscious communities in the heart of nature, and surrounded by the vast green spaces," El Assal added.

Italian architect Stefano Boeri showcased the various applications of the vertical forest design concept worldwide, noting that IL BOSCO will

feature 30-meter-long buildings that combine nature and architecture in an unprecedentedly unique way.

Boeri, who is implementing this architectural project in collaboration with Egyptian designer Shima Shalash and Italian botanist and landscape designer Laura Gatti, elaborated that the vertical forest designs aim at reducing pollution and containing the population density in crowded urban cities.

"The vertical forest concept was granted numerous awards, including the 'International Highrise Award' in 2014 and the 'Best Tall Building Worldwide Award' in 2015 by [the Council on Tall Buildings and Urban Habitat (CTBUH)]," he said.

Construction works at IL BOSCO are scheduled to kick off by 2020, while residential units are poised for delivery in 2023.

## CASTLE DEVELOPMENT LAUNCHES SPRINGFIELD IN NEW CAPITAL

Egypt's real estate developer Castle Development has launched the third phase of Castle Landmark, named "Springfield," in the New Administrative Capital (NAC), with investments valued at EGP 450 mn, Invest-Gate reports.

Spanning across six acres, and slated for delivery in 2022, Springfield offers a total of 238 unfinished units, with sizes ranging from 120 to 285 square meters, according to an official statement on August 1.

"We pay close attention to customer and market needs, and try to make sure our performance in responding to both by having a variety of options available. Springfield is our take on going back to basics; we are offering customizable units to customers who want quality, flexible homes. It is a product that is disappearing from the market," Castle Development CEO Ahmed Mansour said.

Unit prices at Springfield vary between EGP 10,000 and EGP 11,700 per square meter. "Around



30% of our targeted customers make a purchase depending on unit prices, this phase offers less costly homes that allow for choices that align with customer priorities while providing access to the compound's facilities and amenities," Mansour added.

Springfield's units are complemented with air conditioning extensions, steel windows, plumbing, and premium security systems, according to the statement. The project's convenient design incorporates barrier-free, fully equipped solutions installed in its infrastructure, allowing for trouble-free and practical movement, he noted.

Being jointly developed with El Makassa, Castle Landmark is ideally located at NAC's R7 District and covers a total land area of 43 acres. Castle Development earlier contracted with El Masreya Industrial Group (MIG), one of its sister companies, to carry out the compound's construction work, while Egyptian-German engineering consultancy firm Ökoplan was chosen to undertake the landscaping. Moreover, a partnership with an international insurance company, MetLife Alico, was established to provide a two-year coverage to all properties in case of fire, theft, and accidents.

Castle Landmark's master plan introduces cutting-edge, ultra-modern design concepts that involve elements of nature at all aspects, where 81% of the land area is allocated to greeneries and open spaces. A lineup of premium amenities and facilities will be available for all homeowners, including a clubhouse, gym, comprehensive parking space, as well as, commercial and recreational areas, all adjacent to NAC's Green River.

## LANDMARK, SAK FORM JV FOR NEW PROJECT IN NAC

Horizon, a joint venture (JV) between Landmark for Real Estate Investments and SAK Developments, has announced plans to develop a new commercial and administrative project, "Elite New Capital," in the New Administrative Capital (NAC), east Cairo, Invest-Gate reports.

"The cooperation between the two sides is aimed at benefiting from the qualifications and expertise of both companies to build a distinguished project, or Elite New Capital, that is capable of meeting customer demands and competition in the NAC," Shady Said, chairman of Horizon, uncovered in a meeting held on July 25.



The JV has been newly established to manage projects owned by both parties in the new capital, according to Said. The new development endeavors to introduce new and unique standards for

commercial and administrative projects in Egypt. It is located in plot number A3 in NAC's MU23 residential district and is expected to be delivered in 2022, he noted.

With construction permits underway, Elite New Capital will consist of two buildings, encompassing 48 commercial units, along with 182 offices and medical units, in addition to meeting rooms, cafes, gyms, and parking spaces, Said further stated.

Meanwhile, according to the chairman, the company aims to achieve sales of Elite New Capital estimated at EGP 150 mn during the current year.



## THE BIG 5 CONSTRUCT EGYPT TO PROPEL CONSTRUCTION INDUSTRY GROWTH

Dmg Events held a press conference on August 19 to officially announce the launch of the second edition of The Big 5 Construct Egypt, which is scheduled to take place from September 2 to 4 in Egypt International Exhibition Center (EIEC), under the auspices of Prime Minister Moustafa Madbouly.

The conference, which took place in Marriott Zamalek Hotel, saw the attendance of Deputy Minister of Housing, Utilities, and Urban Communities for National Projects Khaled Abbas, Dmg Events President Matt Denton, along with Sixth of October for Development and Investment Company's (SODIC) Executive Director - Design and Engineering Tamer Anani, and Sphinx Glass CEO Mohamed Khattab.

During his speech, Abbas noted that organizing such events helps to promote the country's developments abroad, while bolstering the country's real estate exports, indicating that total public and private investments in the construction industry surpassed EGP 200 bn.

Held under the theme "Bringing the world of construction to Egypt: Product Innovation - Knowledge Sharing - Networking," Egypt's largest construction event is expected to host over 300 exhibitors, operating in seven different sectors across 20 countries, while welcoming 13,000 to 15,000 visitors during all three days, Event Director of Dmg Events Rooni El Haddad said.

El Haddad further stated that this year's edition marks a significant increase on different levels compared to the previous edition. This includes the venue's area that expanded to 30,000 meters, the



number of participating Egyptian companies that are anticipated to range from 120 to 130 companies, as well as, the volume of African and Arab countries.

For his part, president of Dmg Events hailed the growth in Egypt's real estate and construction industries witnessed in the past two years, lauding that the Egyptian government's support for the event, modeled after The Big 5 Dubai and coinciding with the 40<sup>th</sup> anniversary of The Big 5 Show.

Additionally, Ahmed Ghazzi, CEO of Dmg Events' strategic partner ACG-ITF, emphasized that holding such mega-regional events is a real privilege, stressing the significance of providing intense educational programs during the event days.

"Egypt has already overtaken Saudi Arabia as the second-largest single projects market in the region, recording more than USD 33 bn of contract awards in 2018," Dmg Events' El Haddad was quoted as saying in a previous press statement in June.

## INERTIA OBTAINS EGP 575 MN LOAN FOR JEFAIRA

Inertia has signed a five-year EGP 575 mn loan agreement with Banque du Caire, attempting to finance construction works at its flagship project on the North Coast, Jefaïra, among other projects, Invest-Gate reports.

The cooperation protocol was inked by Chairman and CEO of Banque du Caire Tarek Fayed and Inertia's Managing Director Ahmed El Adawy, during a signing ceremony held in Four Seasons Hotel Cairo at Nile Plaza on August 20, in the presence of several dignitaries of both sides.

Under the deal, the company will have one year to repay the debt following the end of the loan period, El Adawy stated, noting that the investment value of Jefaïra's first phase exceeds EGP 2 bn.

"Our cooperation with Banque du Caire, as one of the largest and oldest banks operating nationwide, will contribute to accelerating the implementation of Jefaïra as well as other developments, while bringing about further real estate development and innovation that distinguish Inertia from other property developers in the Egyptian market," El Adawy highlighted.



On his part, Fayed stressed Banque du Caire's eagerness to support Egypt's real estate sector through pumping all the necessary funds for economically feasible housing and labor-intensive projects, in the light of its effective role in creating thousands of job opportunities and revitalizing the industries that feed on this pivotal market.

He pointed out that the bank's strategy and expansion plan aims at giving full priority to all credit sectors, with a special focus on financing various major development projects that come in line with the state's endeavors to achieve Egypt 2030 Vision.

Stretching over nearly 5.5 mn square meters and boasting a 3.6-kilometer beachfront, Jefaïra features about 12,000 residential units, varying between chalets, apartments, villas, twin houses, and condos.

## SAWIRIS LAYS FOUNDATION STONE FOR EL GOUNA CONFERENCE & CULTURE CENTER



Samih Sawiris, chairman of Orascom Development Holding (ODH), has laid the foundation stone for El Gouna Conference and Culture Center, marking the second phase of the cultural complex, Invest-Gate reports.

Located in close proximity to Technische Universität Berlin (TUB), Campus El Gouna, the complex includes a concert hall, a plaza, and monumental colonnades. It is aimed at creating a landmark iconic destination that will be a unique conference center and cultural hub, according to a press release on August 8.

Set to host the fourth edition of El Gouna Film Festival in 2020, the concert hall is expected to accommodate up to 600 persons and a 120-musician orchestra, while the conference center will be equipped with a 2,000-seat auditorium, in addition to meeting/VIP rooms to hold international seminars and conferences.

Studio Seilen Architect is responsible for carrying out the project's engineering and architectural designs, endeavoring to build an exceptional architectural masterpiece that takes into account the geography of the place as well as the distinct lines and sizes of architecture.

Hailing the newest addition, Sawiris remarked, "The establishment of El Gouna Conference and Culture Center has long been a dream. I was passionate about classical music and often attended concerts, especially the Berlin Philharmonic and Herbert von Karajan ... I plan to make El Gouna Convention and Culture Center a global hub for classical music."

On his part, Khaled Bichara, the company's CEO, noted, "ODH has been keen to combine the best experiences and minds to achieve its vision at El Gouna Convention and Culture Center. Architects and designers chosen and involved in the project are the best in the world to achieve our dream."



## GV DEVELOPMENTS DEBUTS WITH EGP 9 BN NORTH COAST PROJECT

Egypt-based GV Developments has made a debut with its EGP 9 bn mixed-use project on the North Coast, called “White Sand,” representing a quantum leap in modern tourism industries.

The announcement came during a launching celebration held on July 28 in Four Seasons Hotel Cairo at Nile Plaza, starring renowned Egyptian pop singer Tamer Hosny.

On the sidelines, Nasser El Mallah, the company’s managing director, underlined, “Through its newest development, GV Developments is keen to be part of the strategic plan adopted by the Egyptian state to develop the North Coast, which aims at creating new job opportunities.”

According to Lamia El Sharkawy, board member and commercial director of GV Developments, “White Sand presents a brand-new perspective of coastal resorts in Egypt, through its vital location and ingenious designs, where aquatic nature is the main element.”



Nestled about 200 kilometers from Cairo and 80 kilometers from Alexandria, the 186-acre development will boast residential, tourist, and commercial spaces, with 82% of the total area allotted for greeneries, aiming to offer safe investment solutions within an environmentally friendly community that meets the highest international standards.

White Sand’s residential units, including villas, twin houses, chalets, and studios, vary in spaces between 54 and 347 square meters to suffice the needs of all clients. Additionally, the project will comprise the largest commercial-service complex, serving the entire project and the surrounding area.

Featuring a 750-meter tranquil shoreline, the integrated compound also encompasses 22 swimming pools, three lakes, a clubhouse, a fitness center, a spa, alongside a number of restaurants and coffee shops, all of which are attentively spreading out throughout the resort to ensure stunning water views at all times and from any spot within the resort.

During the ceremony, GV Developments uncovered its future plans with regards to further investments in various sectors, highlighting that it targets implementing additional projects in other coastal governorates as well as New Cairo, 6<sup>th</sup> of October City, Giza, Upper Egypt, and the Nile Delta. Besides, it also intends to establish an integrated industrial city in Egypt, but the location is still undetermined.

“The management of these projects will be based on state-of-the-art facilities management to enhance the quality of life, using cutting-edge technologies in modern construction, and to be identified as milestones over time for future generations,” El Mallah concluded.

## EMPC EXTENDS AL HOKAIR’S RIGHTS TO MAGIC LAND OVERHAUL

Egyptian Media Production City’s (EMPC) board has approved extending its agreement with KSA-based Al Hokair Group to redevelop and manage Magic Land, the former’s amusement park in west Cairo, under a build-operate-transfer (BOT) framework, Invest-Gate reports.

Under the new 30-year contract, Al Hokair will invest USD 55.9 mn (EGP 924.86 mn), instead of USD 30 mn (EGP 496.35 mn) only, over a bigger land area of 281.59 square meters, which was raised by 130.42 square meters compared to the former deal, EMPC said in a bourse filing on August 3.

The Saudi developer will also pay EGP 22.3 mn per year for the license rights, rather than the previous EGP 12 mn, the statement noted.

Meanwhile, EMPC announced in another press release on August 4 the launch of a new five-story media hub in Downtown Cairo to serve all foreign media and correspondents, providing a direct connection to satellites and photo units, while being equipped with SD cameras and other state-of-the-art facilities.



Furthermore, further production facilities are available at three affiliated studios in west Cairo, notably Agouza, Garden City, and Maspero, which can be used for various media purposes and are fully equipped to offer a wide array of production services.

## BOMBARDIER INKS DEAL FOR EUR 3 BN MONORAIL PROJECT

Egypt partnered with Bombardier Transportation, a rail equipment division of Canada’s Bombardier, for a planned EUR 3 bn monorail project, linking 6<sup>th</sup> of October City to the New Administrative Capital (NAC), Invest-Gate reports.

Under the 30-year contract, a consortium made up of Bombardier, Orascom Construction, and Arab Contractors will build, operate, and maintain the new monorail lines, which will extend over 96 kilometers long, according to a recent presidential statement on August 4. The agreement also stipulates the localization of the monorail’s development, especially tractors and vehicles, paving the way for full cooperation between Egypt and



the Bombardier-led consortium, while laying the cornerstone for providing access to the promising African railway market.

The consortium was first tapped as the tender’s preferred bidder in May, after languishing without a

winning bidder for four years. The bid includes the project’s designing and building, the Canada-based company previously confirmed, highlighting that the rolling stock part of the order will be developed in Derby, UK.

In January, Egypt’s Prime Minister Mostafa Madbouly has revealed that two monorail projects, comprising 27 trains, will soon be introduced to Egypt, carrying around 48,000 commuters per hour in each direction. He added, “The first phase will have 108 railroad cars that can transport 24,000 passengers at speeds of up to 80 kilometers per hour.”



## RIXOS HOTELS INKS DEAL FOR ITS LARGEST RESORT ON RED SEA

Turkish chain Rixos Hotels has signed an agreement to manage its largest all-inclusive luxury resort on Egypt's Red Sea coast, coming as part of the joint venture partner Accor's plans to expand its presence in the Middle East, Invest-Gate reports.

The firm is partnering with the Eastern Company for Investment and Touristic Development to take over and renovate the existing beachfront property, which will be relaunched as "The Rixos Hurghada Makadi Bay." Nestled in a secluded bay south of Hurghada, the 1,636-key "mega-resort" is slated for completion in 2022, according to an official statement on August 7.

"The renovation plan of the existing development in Makadi Bay will be phased in two stages, each spanning a year, with phase I already underway and including the addition of wings and facilities to uplift the hotel in line with Rixos brand standards," read the statement, noting that the new property will offer "world-class" leisure, sports, and entertainment facilities such as an amphitheater, an indoor and outdoor spa, and a conference center.

Providing access to the region's diving and golf offerings, the resort will be officially launched after the completion of its first phase, which will feature 815 keys, including individual villas, in addition to 12 food and beverage (F&B) outlets, a beach lounge, a 1,500-square-meter meeting space, a 2,400-square-meter spa and wellness facility, multiple pools, kids clubs, a small aqua park, and a diverse range of outdoor spots for fitness and entertainment.

Besides, phase II will get underway as soon as the resort opens its doors, introducing a 23,000-square-meter waterpark and accommodation upgrades across the property. In general, "[The Rixos Hurghada Makadi Bay] is expected to become



the preferred destination for discerning travelers and corporate group business from key source markets such as Europe and the [Commonwealth of Independent States (CIS)]," the company noted.

"This marks a pivotal moment in the growth story of our brand, bringing to market our largest resort globally and offering our most comprehensive range of facilities, and unique and dynamic entertainment experiences yet," Founder and Chairman of Rixos Hotels Fettah Tamince was quoted as saying.

"We are delighted to partner with the Eastern Company for Investment and Touristic Development to launch this flagship project, which will set a new benchmark for luxury all-inclusive and all-exclusive resorts in Egypt and the wider Middle East," Tamince further stated.

On his part, CEO of Eastern Company for Investment and Touristic Development Mahmoud El Sharkawy underlined, "Our vision is to transform Makadi Bay into the leading leisure and entertainment destination on the Red Sea and in this respect, the Rixos brand, with its successful one-of-a-kind hospitality concept and proven expertise operating in Egypt's resort market, makes strategic sense. It is the perfect fit."

## NEW STEIGENBERGER HOTEL OPENS IN NORTH EGYPT

Steigenberger Hotels and Resorts, Deutsche Hospitality's luxury brand, has continued to expand its portfolio with the opening of a new lavish hotel in Ras El Bar, North Egypt, offering "a truly stunning setting right at the point where the Nile Delta flows into the Mediterranean," Invest-Gate reports.

Dubbed "Steigenberger El Lessan," the luxurious hotel extends over a total area of 4,200 square meters and features 153 rooms, including 15 suites, with all properties boasting a balcony with Nile and sea views, according to a press release on July 31.

With plans to later open a roof deck restaurant with unprecedented views of the Nile and Mediterranean Sea, Steigenberger El Lessan comprises facilities such as four fully-equipped conference rooms, including two extensive ballrooms, along with a gym area, and a spacious outdoor pool, complemented with a pool bar, coming alongside a main restaurant and "Sea Lobby Bar."



Hailing the newest addition, CEO of Deutsche Hospitality Thomas Willms remarked, "The Steigenberger El Lessan is the first luxury hotel to be launched in the region. We have achieved a further expansion of our local presence and have also been able to bring about a significant enhancement in the relevance of the Steigenberger brand." He further stated that "Egypt is one of [Deutsche Hospitality's] most important and strongest growth markets."

## SODIC HQ TO BE SOLAR-POWERED IN 2020



Sixth of October Development and Investment Company's (SODIC) headquarters in west Cairo will run 100% on renewable electricity by 2020, in a bid to generate clean energy and reduce its carbon footprint, Invest-Gate reports.

Developed over 8,000 square meters, adjacent to Polygon Business Park, SODIC West's commercial spot, Westtown Hub, is witnessing the installation of solar-powered parking sheds, producing enough clean energy to cover 95% of the headquarters' electricity needs, according to an official statement on July 24.

The property developer unveiled that the move is being undertaken in partnership with the Industrial Modernization Center (IMC) and Egypt-PV, in accordance with the United Nations Development Program to develop Grid-Connected Small-Scale Photovoltaic Systems, aiming to boost reliance on solar energy in the industrial, commercial, hospitality, and residential sectors.

Accordingly, SODIC's headquarters will utilize the net metering system to guarantee the minimum threshold of electricity usage, hence result in maximum use of clean energy, the statement noted.

Magued Sherif, the company's managing director, stressed, "By focusing our sustainability initiatives on aspects most relevant to our core operations and interweaving them into our projects, we are able to achieve maximum impact; delivering better solutions for customers, driving operational efficiencies, and maximizing positive impact on the environment," Sherif added.

SODIC saw its revenues jumping by 92% to EGP 2.02 bn in H1 2019 from EGP 1.05 bn in the year-ago period, with east Cairo projects logging 66% of the posted value. However, net contracted sales for the January-June period of 2019 fell to EGP 2.3 bn versus EGP 2.5 bn a year earlier. Besides, net profits plummeted to EGP 336 mn during the six-month period, compared with EGP 373 mn in the corresponding period of 2018.





# TATWEER MISR DELIVERS 169 UNITS IN FOUKA BAY'S PHASE I

Egypt's real estate developer Tatweer Misr has handed over this summer phase I of Fouka Bay, its mixed-use project on the North Coast, which boasts a total of 169 fully-finished residential units.

Phase I of Fouka Bay varies between chalets, villas, and twin houses, complemented with 55 swimming pools as a first phase, 40 of which are already finished, CEO and Managing Director of Tatweer Misr Ahmed Shalaby revealed during a media tour on-site on August 3.

He explained that Tatweer Misr will hand over 700 housing units in Fouka Bay's second phase next summer, while phases III and IV will be delivered in 2022 and 2023, respectively. In general, with costs valued at EGP 1.5 bn, a total of 966 units are under development by United Brothers for Trading and Constructions (UBTC), Constec, Nadinco Constructions, and Insha Contracting and Trading, according to Shalaby.

As for Fouka Bay's 4 mn cubic meters of earthwork, which involves the construction of roads and utility networks, infrastructure, and lagoons, it is being executed by General Contracting Company (Fawzy Abdo) with



investments estimated at EGP 300 mn, the CEO added, noting that nearly 3 mn cubic meters of the package is already completed.

"Rolling out on 1 mn square meters, Fouka Bay will include a power plant, a water desalination station, and a wastewater treatment plant, at capacities of 18 megavolt-ampere, 7,000 cubic meters per day, and 2,8000 cubic meters per day, respectively," Shalaby further stated.

Besides, the coastal town will comprise a diverse range of services and recreational facilities such as an outdoor gym, barbecue spaces, playgrounds, several mobility solutions, to name a few.

Back in February, Tatweer Misr signed a partnership agreement with mobile operator Orange Egypt to provide Triple Play services for Fouka Bay, including the provision of land-line, television, and internet services through one outlet based on fiber optic cables. This came after the project was recognized last September as "Top Mediterranean Resort" by the Mediterranean Resort and Hotel Real Estate Forum (MR&H).





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# INSIGHTS ON CONSUMER PURCHASING POWER

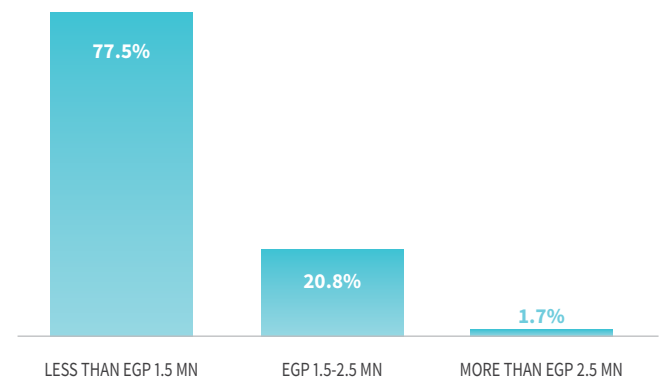
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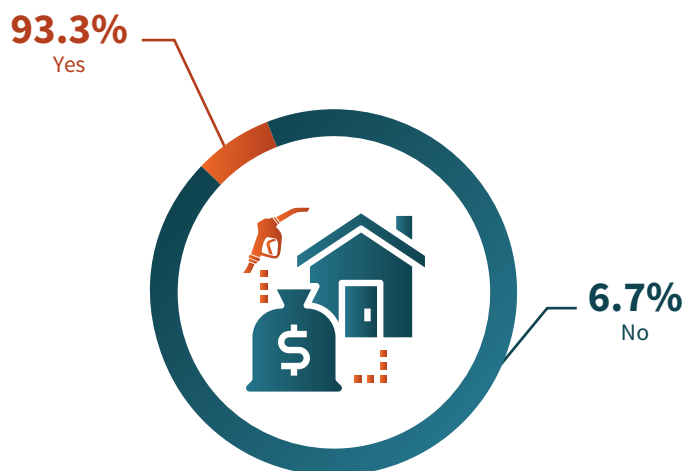
HOW DO CONSUMERS PERCEIVE  
REAL ESTATE PRICES?



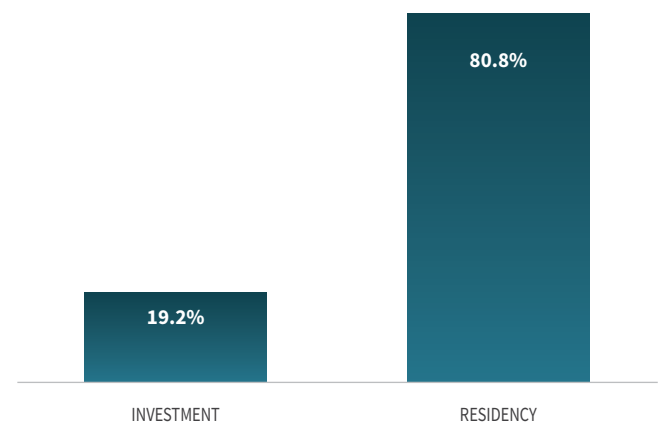
AVERAGE UNIT PRICES ON DEMAND



DID HIGHER FUEL PRICES RAISE  
REAL ESTATE PRICES?



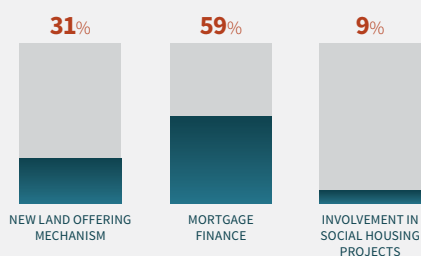
PURPOSE OF HOME BUYING



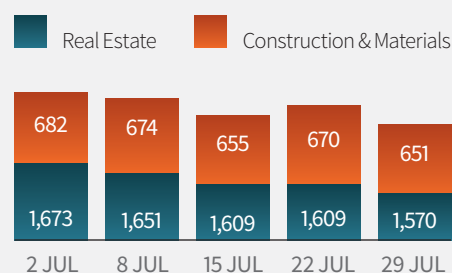
\*All the above results are based on a survey conducted by Invest-Gate R&A on 120 respondents

## Online Monthly Survey

WHAT CAN SUPPORT DEVELOPERS THE MOST  
TO OFFER LOW-PRICED UNITS?



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



## PRICES OF CONSTRUCTION MATERIALS (JULY 2019) (EGP)

<b>STEEL BARS</b> (per acre) <b>11,850</b> (YOY -5.4%)	<b>CRETAL STEEL</b> (per acre) <b>11,500</b> (YOY -6.5%)	<b>PORTLAND CEMENT</b> (per acre) <b>900</b> (YOY 150%)	<b>COARSE SAND</b> (per sqm) <b>70</b> (YOY 8.3%)
<b>SOLID CEMENT BRICKS</b> (per 1,000 bricks) <b>1,100</b> (YOY 3.8%)		<b>BRICK HOLLOW CONCRETE</b> (40x20x12 cm) (per 1,000 bricks) <b>5,050</b> (YOY -2.9%)	

Sources: Invest-Gate R&A, Egyptian Exchange (EGX), and Ministry of Housing

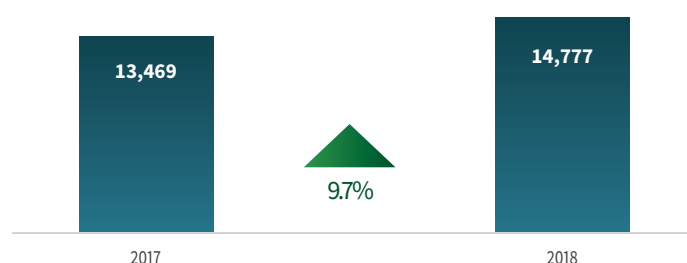


# ECONOMIC SNAPSHOT

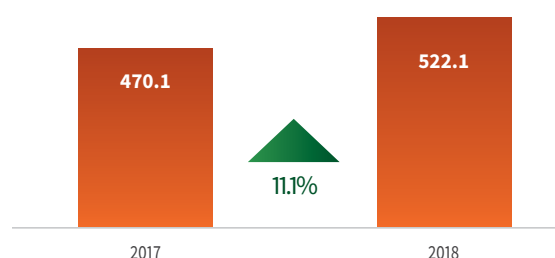
## ECONOMIC INDICATORS



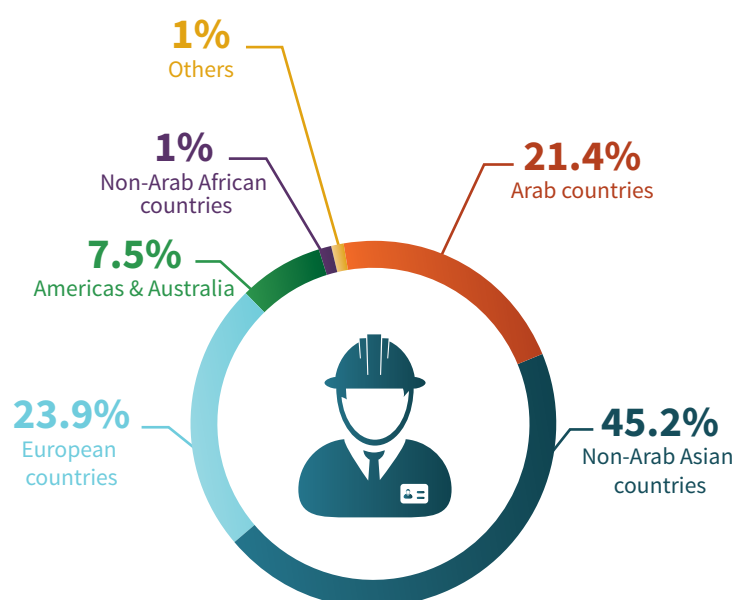
NO. OF FOREIGN WORKERS IN EGYPT'S PRIVATE SECTOR



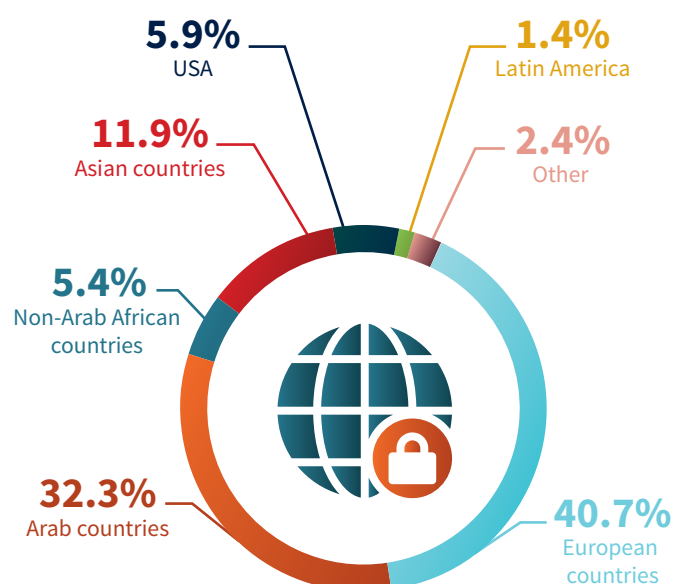
EGYPT'S EXPORTS (EGP BN)



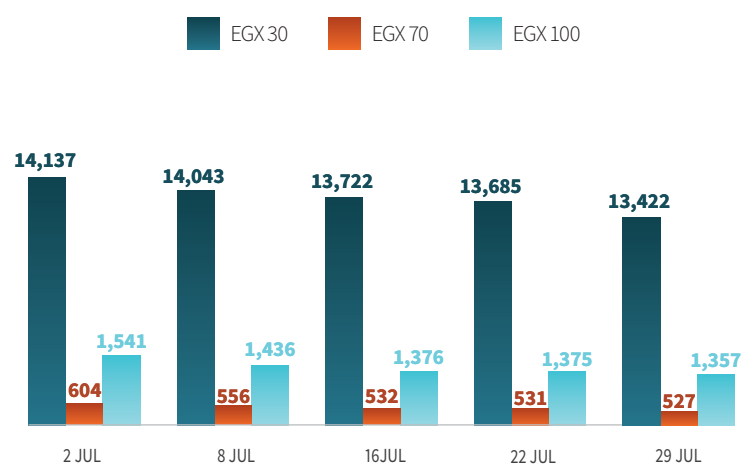
DISTRIBUTION OF FOREIGN WORKERS IN EGYPT'S PRIVATE SECTOR



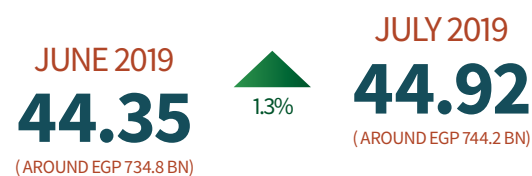
DISTRIBUTION OF EGYPT'S EXPORTS IN 2018



CAPITAL MARKET INDICATORS



NET FOREIGN RESERVES (USD BN)



ANNUAL HEADLINE INFLATION CPI





# FATHALLAH FAWZY: EGYPT SEES UNPRECEDENTED URBAN EXPANSION

BY JULIAN NABIL

Although the Egyptian real estate sector has been holding steady, as the government exerts extensive efforts to push urbanization growth nationwide, prospects are mixed for developers' performance in the upcoming period amid the weakened purchasing power. For this reason, InvestGate meets Fathallah Fawzy, founder of MENA Group and vice-chairman of Egypt Businessmen's Association (EBA), to know his insights on the housing market's current and forthcoming activity, while discussing positive indicators popping up in the industry.

## HOW DO YOU EVALUATE THE REAL ESTATE MARKET'S CURRENT PERFORMANCE?

The property sector saw an eminent activity in the past few years, owing to the rapid and unprecedented urban development underway, with the emergence of new fourth-generation cities, including the New Administrative Capital (NAC), New Mansoura, and New Alamein.

This is mainly attributed to some factors such as the availability of land and increased ease in the process of their provision by the government, which have been luring investors to implement more projects. Now, developers can obtain plots of different land-use in less than a week.

On the other hand, some listed real estate companies reported a slowdown in their performance, especially in sales, based on their Q2 financial statements. Yet, we cannot ascertain until we make sure if this slowdown is proportional to last year's results or initial estimates.

Generally, there is an increased activity and an intense rivalry in a market widely open for all companies, which all compete to deliver new, innovative, and competitive products.

## WHAT DID EGYPT GARNER FROM PARTICIPATING IN FOREIGN EXHIBITIONS SO FAR? HOW CAN WE BUILD UPON SUCH GAINS?

In the recent period, and for the first time, both the government and private developers started to jointly partake in foreign exhibitions such as MIPIM, an international property event hosted in Cannes, France last March. The country's honorable participation was well received and I consider it a commendable starting point for the global entryway of Egypt, along with its diversified real estate portfolio, as an investment-friendly destination.

We still have to regularly participate in similar events to demonstrate to the world our horizons and potentialities. However, the type of products offered has to be put into consideration; participating developers should always be prepared by having serviced and fully-finished properties that meet international standards and foreign buyers' needs. We also look forward to seeing such homes being operated by specialized facility management

companies, having regard to second-home owners who do not dwell in their residences all year round and are often looking for long-term rental yields.

Globally, Egypt has a competitive edge in terms of unit prices, which represent 25-35% of the value of similar products offered in the same region. So far, most residences are bought by Arabs. Furthermore, before the government prohibited non-Egyptian land ownership in Sinai, international investors, especially from the UK, used to heavily invest in Sharm El Sheikh. Meanwhile, Red Sea governorates such as Hurghada and Marsa Alam started to see foreign purchases of finished and serviced properties.

To sum things up, we need to participate more in foreign exhibitions to showcase our real estate products, and thus, boost our property exports.

## RECENTLY, EGYPT STARTED TO ARRANGE PROMOTIONAL TOURS OF POTENTIAL INVESTMENTS FOR FOREIGN INVESTORS TO EXPLORE THE COUNTRY'S VARIOUS OPPORTUNITIES. IN YOUR OPINION, HOW FRUITFUL ARE THESE TRIPS?

In June, EBA organized a five-day visit for a delegation from the National Real Estate Committee at the Council of Saudi Chambers to Egypt, hosting a total of 51 KSA-based companies. The program included trips to New Alamein, Galala City, and NAC. Besides, lucrative meetings were held with Minister of Housing, Utilities, and Urban Communities Assem El Gazzar and Minister of Investment and International Cooperation Sahar Nasr, during which both sides discussed possible investment opportunities.

Moreover, the delegation was impressed by Emaar Misr's Marassi project on the North Coast; deals for 10-13 units were sealed during the stay. This also reaped prolific outcomes for one of the Saudi investors bought a land area to carry out an expansive development in Egypt, with more details to be announced soon.

We should continue arranging visits for foreign delegations thrice a year at least. EBA is currently working on getting in touch with organizations operating in the real estate sectors of the UAE and Kuwait to organize tours for them after summer, just as we did with the Saudi delegation.



### **IS THERE A SPECIFIC SEASON WHEN THE REAL ESTATE MARKET PERFORMS AT A HIGHER PACE THAN IN OTHER TIMES OF THE YEAR? WHICH ONE AND WHY?**

The housing industry usually gets remarkably active during the heat-wave and developers make the highest sales in two months, namely July and August. One reason is that expats usually fly back to Egypt with their foreign savings from the Gulf during summer, in particular, as the season marks an ideal time for them to search for residential units – whether primary or secondary – and draw an analogy between the various products on-ground.

### **WHAT ARE THE CHALLENGES CURRENTLY FACING THE HOUSING SECTOR?**

The most challenging obstacle is buyers' low-income levels, especially after the EGP devaluation, as opposed to overpriced units amid increasing land costs.

The Central Bank of Egypt (CBE) already announced its plans to reintroduce subsidized mortgages worth EGP 50 bn for middle-income individuals, with preferential interest rates starting from 8% to prospective homeowners and unit prices of up to EGP 3 mn.

I expect this initiative to boost the market in the coming period. The introduction of such measures should be continuous to stimulate buyers' purchasing power, and thus, trigger off real estate sales.

### **HOW DO YOU FIND THE STATE'S RECENT PROPOSAL TO INVOLVE THE PRIVATE SECTOR IN SOCIAL HOUSING PROJECTS? WHEN DO YOU THINK THIS WILL BE ACTIVATED?**

The government discussed with private developers the possibility of their engagement in the implementation of social housing projects to meet the country's high demand for real estate.

I guess this may attract the interest of some property firms, yet negotiations are still under way on agreement terms and other related specifications so that developers can indisputably participate in these projects and avoid wasting time on the issuance of licenses and ministerial decrees. I anticipate we will start to see this initiative effective by early 2020.

### **WHAT IS YOUR FORECAST FOR THE PROPERTY MARKET IN FIVE YEARS?**

As long as we have the raw materials available (i.e. land), there will always be an active motion in the market. Currently, real estate is one of the most vigorous sectors in Egypt, thanks to the ongoing rapid urban expansion via the establishment of new cities, which was not seen in the past 30 years. Therefore, the government plans strive to increase the current inhabited areas, estimated by 6% of the country's total area, in a bid to absorb the growing population, offer new job opportunities, and transform coastal cities such as the North Coast to all-year-round destinations.











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# CONSUMER PURCHASING POWER: HEADWINDS & WAY OUT

BY MAHMOUD EL-ZAHWEY



Consumer behavior has always been a key driver for all moves in the real estate sector, while purchasing power, which Rooya Group CEO Hisham Shoukri defines as an incompatibility between clients' willingness to buy and their actual ability to do so, is the node at which interests intersect.

To put it another way, the volume of purchases sets the market's sales direction and overall performance, and thus, evaluates the target clientele's buying power. Therefore, developers can easily navigate through the market, while figuring out where and when to pump further investments.

After the currency float in 2016, all indicators started to show a noticeable decline in purchasing power, as the increase in income levels was not reciprocating with the price hikes that followed suit. Given

this, some investors were left in a situation where they have to either save more money or trade off some features and services for ease of home buying.

This propels Invest-Gate to examine the current status of Egypt's property market, while casting an eye over and assessing affordability among different income groups to guide the way out of that extending slowdown, amid financial tightening due to record-breaking inflation rates and fluctuating price levels.



## PURCHASING POWER LIMITING DEVELOPERS PERFORMANCE?

Besides, Mena Group Founder and real estate market expert Fathallah Fawzy tells Invest-Gate that the sector is seeing frenetic activity and is accomplishing unprecedented achievements, in terms of property investments and urban developments, praising the government's efforts to introduce a diverse range of investment opportunities in new cities as well as national mega projects.

Meanwhile, with regards to purchases, CEO and Managing Director of Tatweer Misr Ahmed Shalaby believes that there is an equivocal slowdown in buying power, predicting that this will lessen housing sales since off-plan bargains - the approach adopted by the majority of property developers in Egypt - are highly dependent on market liquidity.

Given the absence of accurate figures on purchasing power and consumer price gauges, real estate companies' financial statements and overall market performance indexes are the only way to track affordability of potential home buyers in Egypt.

According to Fawzy, financial reports of top listed property developers have shown a slight growth in the first quarter of 2019, compared to the corresponding period of 2018. Yet, several expectations are suggesting an extended slowdown in sales growth through Q2 2019, which was reflected in H1 results.

For instance, leading property developer Palm Hills Development logged a consolidated net profit of nearly EGP 141.16 mn during Q1 2019, down 37.02% from about EGP 224.15 mn in the year-ago period, following an annual drop of 3% in consolidated profits in 2018. Additionally, despite seeing its revenues jumping 92% to EGP 2.02 bn in H1 2019 from EGP 1.05 bn in the year-ago period, Sixth of October Development and Investment Company's (SODIC) net contracted sales fell to EGP 2.3 bn from EGP 2.5 bn a year earlier, while net profits plummeted to EGP 336 mn during the six-month period versus EGP 373 mn a year ago.

Similarly, total net contracted sales of Madinet Nasr for Housing and Development (MNHD) notably declined to EGP 2.06 bn in H1 2019, down from EGP 2.53 bn in the first half of 2018.

Even though Talaat Moustafa Group (TMG) Holding posted a net profit increase of 11% in the first six months of 2019 to EGP 812.35 mn from EGP 731.73 mn in H1 2018, yet the same growth rate was recorded in the first half of the previous year.

Digging deeper for further grounds behind the weakening purchasing power, Fawzy attributes the current slowdown in real estate buying capabilities to low personal incomes, while Rooya Group's CEO argues that higher-cost inputs, represented in pricey construction materials and soaring land prices as a result of the EGP flotation, are hindering the companies' ability to provide more eased offerings for lower- and middle-class home seekers, catering to those falling out of the upper segment.

On top of that, current saving rates of individuals, usually laid out for assets such as real estate, are negatively impacted by the modest growth in income levels and high cost of living, Shoukri highlights.

One other attribute that should come into play when addressing the impact of purchasing power on developers' performance is the near-saturation status of the upper-class supply versus the inability to cope with the low-to-middle-class demand, overcasting the property sector's advancement.

The unstable affordability of Egyptian consumers has fundamentally driven all sectors to deploy alternative means of absorbing the economic headwinds and overcoming the downturn in purchases. Although tackling such turbulence was and will remain challenging for the housing industry, experts claim that the market is still seeing a steady performance, defying the constant pressures holding back buyers, including the ascending inflation and subsequent subsidy cuts.

Rooya's CEO, for example, states loud and clear that the sector is moving forward at a healthy pace, ruling out the possibility of a housing bubble and refuting the repeated claims over an impending crisis.

"Despite temporary slowdowns taking place from time to time, market fundamentals indicate high demand across all categories; the real estate industry is expanding at an annual value of EGP 2.5 mn," Shoukri elaborates.



## THE WAY OUT: PROLIFIC APPROACHES & STRATEGIES

The reduced purchasing power of buyers can be attributed to many reasons, all of which are somehow linked to the overall economy and investment sphere. Finding a way out is undoubtedly a joint responsibility for both the government and private sector, compelling the latter to go the extra mile to maintain steady growth and make up for the losses arising from the undermining purchasing abilities.

Veteran players have resorted to reliable strategies such as the offering of **smaller housing units and extended payment terms**, which have yielded some progressive outcomes and proven to be a hard push for the market in a very short time.

Other developers started to offer distinct flexible payment plans, with low upfronts and extended installment conditions. Terms are now up to six and ten years, compared with three to five years before the EGP devaluation, with 0-15% down payments versus the previous 20-30%, Mahmoud Gad, a senior equity analyst at Arab African International Securities (AAIS), earlier told Invest-Gate.

On top of these typical practices, **new promotional and selling techniques** are continuously brought forth by real estate companies to attract more buyers and expand their client base.

For instance, Al Marasem International for Development, affiliated to Saudi Binladin Group, has recently uncovered a brand-new partnership system, dubbed "Partners and Not Only Clients," at its New Cairo project, or "Fifth Square." It allows purchasers to pay only 50% of the residential units' value over four years, while the remaining half should be owned by Al Marasem's arm for assets development and management.

The government bodies, in turn, recognized their responsibility to restabilize the market, and thus, activated multiple programs, with special focus on **mortgage finance initiatives**. There is a clear consensus among market experts that deploying more effective real estate finance and mortgage lending policies will reap numerous benefits for developers and buyers alike. Indeed, it may help boost the recovery of current purchasing power crisis and spur market activity.

Fawzy sees that income levels are currently too low for middle-class individuals, in particular, to buy homes without external contributions such as state funding or support, while Shalaby deems mortgage finance as the most effectual solution for the declining purchasing power.

Supplementarily, out of its keenness to propose a new product that is poised to accommodate the needs and capabilities of most Egyptians, the Central Bank of Egypt (CBE) further pumped EGP 50 bn in subsidized mortgages to finance middle- and upper-middle-class buyers at interest rates of 10.5%. The new initiative, effective since July, was well-received among the banks and real estate companies, and this bodes well.

Moreover, in February, the CBE set new measures for its five-year-old initiative to support mortgage finance, aiming to make it more beneficial and impactful by limiting the fund's offerings to the low-income segment at interest rates of 5-7% and for a maximum period of 20 years.

Another practical way out is **enabling private sector involvement in social housing projects**. Following the remarkable success of public-private partnerships (PPPs), which first kicked off in 2010 and had widespread imprints extending to date, the state has recently put forward the engagement of private companies in social housing development.

Last June, Minister of Housing, Utilities, and Urban Communities Assem El Gazzar met with several mega developers, alongside a few ministerial

officials, to mull a new mechanism for such an approach. CEO of Mortgage Finance Fund (MFF) Mai Abdel Hamid revealed back then that the meeting proposed granting developers a number of land plots, half of which will be allocated to social housing units, while the remaining is parceled out for real estate firms to develop an array of middle-class residences, ranging in sizes from 90 to 150 square meters. She added that specialized pricing committees will set prices of latter properties, whilst the former will be offered to low-income citizens eligible for the state's social housing and mortgage finance schemes, limited to a maximum period of three years.

The involvement of private developers in social housing projects is still undetermined, with suggestions such as allocating land plots for the establishment of middle-class housing or providing lands to real estate firms under usufruct contracts. "Such propositions shall be submitted for thorough and profound examination, bearing in mind that low-income Egyptians cannot casually afford the present unit prices," according to Shoukri.

Prices of land areas offered by the government can certainly be considered another decisive contributor to market changes. **Lower-priced plots** will automatically be translated into less expensive residential units, and consequently, hold down the purchasing power challenges and keep the market momentum going, Shoukri notes, contending that the state should activate plans to bring down land costs or at least preclude any prospective rises.





All experts agree that this series of devious stratagems, aimed at funding real estate purchases, will essentially boost consumer abilities to overcome input cost pressures (i.e. price hikes in capital goods, labor services, raw materials, and so on).

On the other end of the spectrum, the deteriorating currency value and economic overhaul opened up a new potential market of foreign buyers and Egyptian expats, who now find real estate in Egypt much cheaper than local and regional products, Shoukri and Shalaby agree.

Under the new amendments to the law of **Entry and Residence of Foreigners in Egypt**, approved by the parliament in May 2019, Egyptian citizenship is automatically granted to foreigners buying public or private properties, establishing an investment project as per Egypt's Investment Law, or depositing money in hard currency. Such regulations certainly turn heads of foreign buyers to further invest in the country's real estate market, deeming it a more value-worthy bet. Case in point: Tatweer Misr reported in 2018 that expats and foreign investors amount to 22% of its sales, with non-Egyptians representing 5%.


For the most part, property developers are still figuring out new ways of growing a thick skin against such challenges, while real estate analysts are still noticing a limited progression on the back of the flagging buying power.

Shoukri reckons that it shall strengthen in the wake of an improving economy, underlining that the current slowdown is expected to fade away as the adverse effects of economic reforms alleviate in the coming years. Fawzy, on the other hand, pinpoints that ever since the EGP flotation, most clients tend to see residences as their nest eggs, which shall impel real estate companies to persistently introduce new ways to provoke their investment intuitions.

Definitively, consumer's purchasing capacity is a key game changer that is highly tied to the economic swings. Real estate companies are advised to only target upper-class buyers, but also take into account the sidelined segments. We are almost halfway through 2019, with many more hurdles still requiring some attention for putting everything back on track and bringing forth a more energetic and agile property market.







SEASON'S REAL ESTATE

# ROLLER COASTER RIDE

BY JULIAN NABIL



**I**n every property market, real estate agents as well as consumers either trail off or swell at different times of the year. Whether in spring, summer, fall, or winter, the peaks and valleys of supply and demand within the housing industry demonstrate that weather and time of year dictate developers' performance and consumers' purchasing habits across seasons.

Digging deeper into the property sector, Invest-Gate finds that each season is necessarily synonymous with a discrete market phase. Since understanding seasonal trends in real estate can help investors sustain their business during peak and off-peak times, Invest-Gate looks at seasonality from all angles to determine the reasons behind the boom-to-bust market activity in specific months of the year and the cool off in other times.

## REAL ESTATE SEASONALITY

Real estate jumps on a roller coaster ride up and down from season to another. For most markets, the housing activity heats up in spring and summer, and chills down as we head into the fall and winter months.

There are certainly exceptions to the ebb-and-flow rule of real estate performance in Egypt. Mahmoud Gad, a senior equity analyst at Arab African International Securities (AAIS), says the market slows down during the holy month of Ramadan and Eid (feast) vacations, which take place at different times each year, depending on the lunar calendar.

However, the general real estate roller coaster ride applies too in Egypt for reasons that are, more or less the same, as in other countries.

### SPRING: BUCKLE UP, THE RIDE TAKES OFF

Generally, warmer months tend to work more in developers' favor and spring is when your roller coaster ride takes off ... Make sure to buckle up! Gad notes that the sector starts the upward ride early April, as the weather starts to get warmer and potential buyers begin their house hunt.

"This season kicks off with Cityscape Egypt, the country's leading international property exhibition, which takes place at the end of March," he adds.

On his part, Aqarmap Business Development Manager Ahmed Abdel-Fattah agrees that Cityscape Egypt fuels the beginning of this active season, during which sellers expect a high turnout of buyers, local ones in specific, due to the flexible payment plans and discounts developers offer during the four-day event. In figures, Cityscape Egypt revealed that around 63% of 18,000+ participants sealed deals during its last edition, held back in March 2019.

Another factor that supports property purchases throughout springtime is that it marks the end of the fiscal year; and therefore, "most receive their annual raises and bonuses and opening their appetite for property investments following their new payroll," Gad highlights.

During the same period, most developers launch their newest projects, notably in Greater Cairo, or release the latest updates on their existing developments to cater to this rising spring appetite, according to Abdel-Fattah.

### SUMMER: YOU HAVE REACHED THE TOP

Piggybacking off on the heels of spring, summer comes as the hottest season of the year and the apex of real estate roller coaster ride. Fathallah Fawzy, who has been operating in the property market for 40 years as founder of MENA Group, sees that the housing industry gets highly active during the heatwave and "developers make the highest sales in two months, namely July and August.



Fawzy, along with Gad, attributes the reason behind that phenomenon to the return of Egyptian expats, especially from the Gulf region, with their foreign savings during this particular season, making summer the ideal time for them to search for residential units – whether primary or secondary – and draw an analogy between the various products on-ground.

Additionally, being unbound to fulfilling the school's financial commitments and having more free time to make a purchase decision, local buyers actively participate in the housing market during summer for they have the fewest motives to not shop for a new home if they want to relocate and have a fresh start or even get a second home, AAIS' senior equity analyst underlines.

As seasons affect buying habits, the volume of new listings changes from one area to another across the year. Summer months, mainly June and July, represent the interval of new project launches on the North Coast, which is deemed to be dominating the second-home market, Aqarmap's Abdel-Fattah notes.

Nevertheless, Coldwell Banker Commercial Advantage (CBC Advantage) foresees the seasonality on the North Coast to change starting this year, given the urban and services projects underway, which are likely to lead the area to operate all-year-round, and thus, transform it into a first-home destination within the upcoming ten years.

On another note, "Unit prices usually rise during the period from late Q2 until Q3, mainly driven by higher operational costs due to subsidies cuts and high demand, respectively," Gad highlights. Sellers can easily get away with increasing their prices when there is a growing appeal for ownership, he explains.

Abdel-Fattah, per contra, sees that there is no set strategy for changing property prices throughout the year; some developers increase their prices monthly and others boost them quarterly to maintain their profit margins.

#### FALL & WINTER: DOWN THE SLOPE

As we move on through the year, competition typically begins to decline in fall, notating the end of the busy season for developers. Most buyers have probably made their purchases by the time September comes and the academic year starts, according to Gad.

The same hibernation goes on during winter, yet this does not mean that the entire market goes into recession. Both seasons turn out in favor of serious buyers, who chiefly look for exemplary deals, "as the competition cools down and prices ease up just like the weather," he elaborates.

Abdel-Fattah notes that the market sees a diminutive, yet fruitful, season of real estate activity during Christmas, when Egyptian expats – but this time from the US, Canada, and Europe – return to commonly seek out Class A units.

In terms of supply, although many developers await the high season of summer to unveil their new releases, Gad believes that some companies start announcing soft launches of their projects as of the fourth quarter or starting December.

Giving an example, Abdel-Fattah pinpoints that Ain Sokhna usually witnesses the introduction of new projects or phases in the mid-year break, which usually takes place from mid-January until the first week of February.

## HERE ARE SOME TIPS BEFORE YOU HOP ON THE REAL ESTATE ROLLERCOASTER

Well before you join the ride, whether for buying or selling, there are some tips to consider for the safety of your investment.

For buyers, it is **better to buy when everyone else is not buying**. Low seasons gives you more negotiating power given the less market competition, as well as, the opportunity to reach a tip-top deal, according to Gad.

**Hunting homes during big exhibitions** are also a common approach for those opting to buy units at reasonable prices. Gad sees that buyers should rather make deals as soon as developers start extending new debuts and offers during pretentious exhibitions such as Cityscape Egypt.

Broadly speaking, Abdel-Fattah exhorts buyers to **be prepared financially**, and plan their needs and wants before making a purchasing decision.

Developers, on the other hand, should be wiser and **launch projects in different timings away from peak seasons** as it may help real estate companies perform better, Abdel-Fattah suggests. Although demand might not be as high during these low seasons, yet they will free themselves from this intense market competition of the peak seasons, he notes.

**Educate yourself on real estate seasonality** and delve into selling seasons with luring offers.

To overcome seasonality during the downtimes of the year, some developers started to **participate in foreign exhibitions** taking place in winter and fall such as Egypt Property Show (EPS) and France's MIPIM.

*Hope you have enjoyed the ride!*





# SECOND-HOME MARKET 2019 RUNDOWN

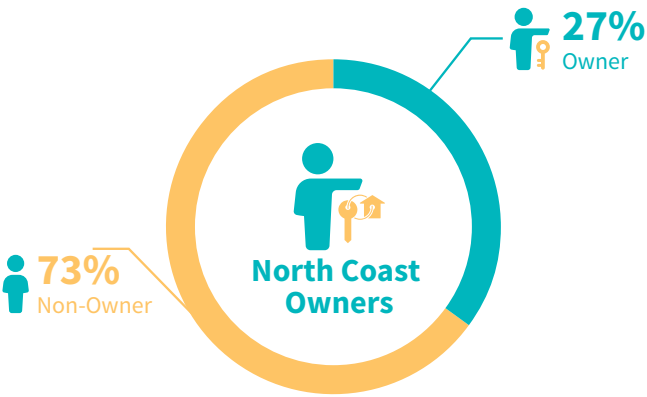
BY **SARA MOHAMED**

We are back to business and it is safe to say that the sky is not falling. This September, the second-home market makes an interesting comeback to the capital with major updates, driving Invest-Gate to attempt for a pulse check to piece together the main patterns of this chunk of the housing industry during summer 2019, in terms of performance, trends, and purchasing power.

The real estate sector is still seen a lucrative pursuit, whereat bargain hunters are cherry-picking some of the finest deals in the country. At heart, vacation houses have always managed to be one of the silver linings in the otherwise invigorating property market, with a special focus yet again this year on Egypt’s northern coastline and Red Sea areas.

## INVENTORY CHALLENGES ARISE, PRICES CREEP UP

In essence, the availability of lands along the seaboard has principally drawn real estate companies and holidaymakers to locations such as the North Coast, Red Sea, South Sinai, and Ain Sokhna. In figures, some of the takeaways from Invest-Gate’s “Second Homes Real Estate Guide - Part II” in August roll out that over 35 housing and mixed-use projects are undertaken by private firms in the vacation-home market. A high turnout was witnessed across these developments, with 27% of Egyptians owning residential units on the northern coastline.

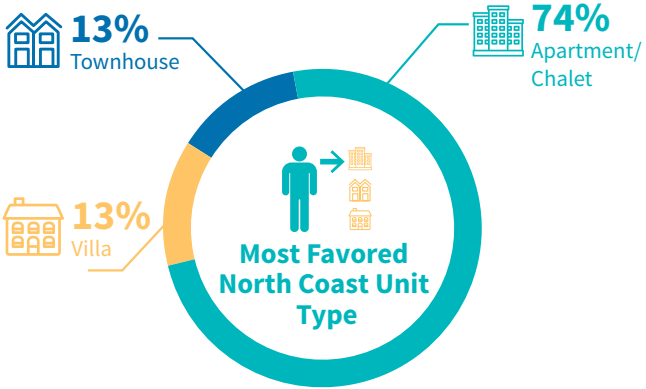


Having said that the second-home business had manifested signs of blossoming in 2018, however, seems to be offbeat, particularly for the North Coast.

Managing Director of Property Finder Mohamed Hammad argues that the coastal cities’ housing inventory plunged this year, as many developers have seen their building permits suspended. “Besides, the state has recently issued a new bill that prohibits building along the shores of the Red or Mediterranean Seas, which also contributed to lessening the volume of residential units in these areas,” he explains.

With respect to the aforementioned bill, in October 2017, Egypt’s Ministry of Water Resources and Irrigation embarked on the “Enhancing Climate Change Adaptation in the North Coast and Nile Delta Regions in Egypt Project,” which is jointly financed by the local government, Green Climate Fund (GCF), and United Nations Development Program (UNDP). This came shortly after the northern coastline was recognized by the

Intergovernmental Panel on Climate Change (IPCC) as one of the world’s three “extremely” vulnerable deltas. The executive regulations, which detail specific issues relevant to coastal protection, development, and management, put into effect some idle provisions, including the Environment Protection Act (amended by Law No. 9/2009).



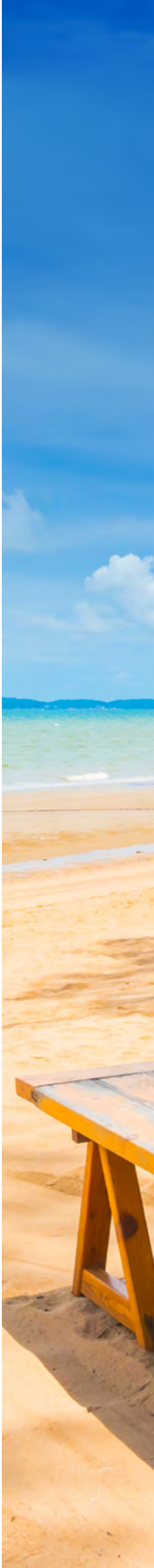
Articles 59 and 60 of this legislation outlaw issuing licenses for “the construction of any installations on the seashores of the Arab Republic of Egypt, up to a distance of 200 meters inwards from the shoreline, except after obtaining the approval of Shores Protection Authority and Egyptian Environmental Affairs Agency, as this may affect the natural shoreline or modify its configuration either inwards or outwards,” the framework reads.

This was reflected on real estate companies and buyers alike. Developers operating in the North Coast found their overall sales performance a bit scanty in summer 2019, compared to last year, according to Hammad.

“As coastal destinations started to see less offers going ground in 2019, fewer primary real estate units were put up for sale. Given this, home buyers began to resort to the resale market instead, which saw a more eminent demand during this year versus 2018,” Hammad acknowledges.

Further, based on the low supply and high demand, firms with property operations in such zones, especially on the North Coast, are performing aggressively in terms of pricing.

“In short, rates of coastal houses have been proliferating at a high pace in 2019, thereby weakening purchasing power in the vacation market. This ought to the low-income levels of Egyptians, which do not reciprocate with these accumulations,” Hammad tells Invest-Gate, underscoring that the upper-income group takes up the lion’s share of sales for this year’s summer.





“New Alamein, for example, is seeing residential properties valued at a minimum of EGP 3 mn. Substantially, this is deemed a pricey figure and necessarily implies that the products available in these towns do not tally with the average Egyptian household income,” Hammad accentuates.

This only entails that real estate companies are markedly targeting senior employees and older workers with stable, high-income occupations. With slight regard to lower-income groups, those aged between 30 and 40 years old, who earn less, are seemingly left out of the developers’ priority list, he elaborates. Thus, housing unit prices in coastal destinations do not complement the income levels of Egyptians, even if they were offered on installments.





On the background, roughly 75% of Invest-Gate's survey purchasers opted for feasible payment methods instead of cash and settled on six-to-eight-year installment plans. The majority of respondents, or 74%, have hand-picked apartments or chalets on the North Coast, followed by villas and townhouses, equally at 13%.

Nevertheless, the managing director urges property developers to consider extending such payment methods to more than seven and eight years to lure more customers and cope with the market fluctuations, given the relatively non-existing, or rather, standing still mortgage finance system.

In light of the foregoing, current market dynamics, including lack of affordable houses and the augmented focus on the niche market, have created an almost classical seven-year itch in the second-home business, following the remarkable boom in demand for vacation units in past years. Property Finder recently reported that the supply of summer residences heaved by 170% year-on-year in 2018. Intrinsically, the Egyptian low-to-middle classes, which are already enduring high costs of living, now feel increasingly priced out of the market. More precisely, they see themselves ostensibly shelved on the sidelines when it comes to homeownership in coastal towns, resting with inadequate on-budget options.

Nonetheless, this warlike scenario was foreseen to occur back when 2019 was still edging closer. Chairman of Arabia Group for Real Estate Investment Tarek Shoukry had estimated that unit prices are set for a 10-15% hike in 2019.

Essentially, this stemmed from the government's decision of shooting up fuel prices between 16% and 30% last July, marking the latest round of fuel subsidy cuts. Likewise, while muddling in the high inflation dilemma ever since 2016, the production costs of all building materials are set to leap significantly.

Several experts formerly told Invest-Gate that real estate firms are facing many obstacles to either ramp up new constructions or fulfill those under development, bearing high land prices, labor barriers, material costs, and the onerous process to obtain building permits. All this puts pressure on profit margins, so when contractors do build a new project, it tends to be more on the luxury end.

### SIGNS OF HOPE AMID PERIL

Despite the emphasis on ever-rising housing costs along the shoreline, a beacon of hope has been noticed within the second-home market as Invest-Gate probes what's in store from all aspects.

Hammad elucidates, "The outlook for the short-term residential leasing market across coastal cities looks promising in 2019, particularly for the North Coast, with rent and occupancy rates relishing an upside as demand continues to be supported by displaced owners."

Renters typically opt for properties in reputable mixed-use compounds. The daily rental of a residential unit on the northern coastline depends on multiple factors such as unit size and number of rooms, location (distance to the sea, town, restaurants, etc.), level of comfort and luxury (the better the facilities, the higher the price), among others, he underlines.

“ Although the supply of rental units was averagely low this summer compared to last year, as landlords often dislike having strangers lodging in their houses, Property Finder sees great potential in the second-home leasing market, ”  
Hammad remarks.

Another bright side is that high-end developers need to bust out the paint and spruce up their curb appeal to attract further middle-income buyers and seal a greater number of deals. Substantively, experts envisage a long-term opportunity for investors to address the rising demand for low-cost accommodations in the vacation market, as home hunters continue to seek out pockets of affordability across such areas.

Meanwhile, CEO and Managing Director of Tatweer Misr Ahmed Shalaby sees a shining future for the North Coast, referring to the development boom and urban expansion strenuously taking place to transmute it into a habitable city.

"This also explains why New Alamein is important as an integrated city and an economic base that will create job opportunities and other living essentials. In turn, this will transform the North Coast into an all-year-round destination, with tourism businesses operating all year long ... I believe that New Alamein can open up the convention tourism market," Shalaby tells Invest-Gate.

The CEO further highlights, "Additionally, the state has Ras El Hekma, located near Marsa Matrouh, in the pipeline to make it an international tourist destination."

Notice a trend? New products such as year-round projects are on the rise across various seasonal areas, notably on the northern coastline, in line with the government's national urban development plan that aims to disperse Egypt's growing population. This includes Jefaira by Interia on the North Coast, Madaar Development's Azha in Ain Sokhna, to name a few.

## NEWCOMERS TO COASTAL DESTINATIONS:

### BEACH TOWERS ALONG THE SEABOARD:

City Edge Developments is the first developer to establish high-rise buildings on the North Coast, namely North Edge Towers, The Gate, and Mazarine in New Alamein. All three projects will feature luxurious housing units that will be complemented with an array of services and facilities all year long. Besides, it recently unveiled Zahya in New Mansoura, Nile Delta, boasting two 28-story towers directly overlooking the sea.



### BUSINESS HUBS HIT COASTAL TOWNS:

Not long ago, Orascom Development Holding (ODH) introduced the first business park at its exceptional Red Sea destination, El Gouna, aiming to uncover a one-of-a-kind business district situated by the seaside. General Manager of El Gouna Mahmoud El Baroudi earlier told Invest-Gate that the new office building is “a welcome addition to the existing business infrastructure communal offices at G Space,” as ODH endeavors to “remain true to its fully-integrated, green, and family-friendly DNA.”



### COMMERCIAL/RETAIL PROJECTS IN FULL BLOOM:

In summer 2018, Al Ahly for Real Estate Development launched Rivette, the first commercial/retail mall to be developed within a private compound on the North Coast, or “Amwaj.” It stretches over 62,000 square meters, promising shoppers, tenants, and surrounding residents to enjoy indoor and outdoor retail, dining, food and beverage (F&B), and entertainment outlets, having an assortment of local and international brands.



### HOTEL APARTMENTS AND BRANDED RESIDENCES ROAR:

As the concept of branded residences and serviced apartments proliferates in Egypt, a large number of investors and real estate developers looked to capitalize on this opportunity. With regards to seaside towns, Tatweer Misr, for instance, took off with Fouka Bay in Ras El Hekma, offering beachfront serviced apartments for residents to experience world-class services of luxury.

Into practice, the very first homeowners to leverage this exceptional product saw their units delivered last June. Beyond that, the developer is also craving a city into the rocks in Ain Sokhna, dubbed “IL Monte Galala,” dictating a one-of-its-kind contemporary aesthetic and offering the best of mountain-top luxury living through its distinct modules of residential and serviced units.



After all, whether you are purchasing, selling, or staying put, this guide should customarily streamline shopping for second homes. As for real estate developers, they must bear in mind that urbanization might pose challenges for those merely addressing the high-end segment, owing to the plummeting affordability and lack of low-cost housing options in the vacation market.





# LATEST DESIGN TRENDS FOR SECOND HOMES

BY JULIAN NABIL

From coast to coast across Egypt, families tend to lodge in their second homes during summer to enjoy the country's mesmerizing beaches and breezy weather. So if you are a new owner, or in a renovation mode, Invest-Gate has put together a list of your interior design must-haves for an ultimate cozy living by the sea. Here is what's trending for seasonal residences, featuring the strongest elements in designing as suggested by interior design experts TDF Architects CEO and Founder Hala Saleh and Associate Partner at Ökoplan Rowaida Rashed.

## LIGHT IT UP

Light fixtures add drama to any place, somewhat identifying its nature and character. Whether interior or exterior, the latter is a central facet of any home design to add warmth and harmony. Without doubt, lighting can certainly influence and enhance your atmosphere just with its placement, sizing, and features.

Speaking of the latest in lighting designs, Saleh opts for "wall-washed and ambient lighting with dramatic accents." Such lineaments help amplify the ceiling height and make small rooms look larger, she adds.

As for exteriors, one usually prefers to showcase the house and its landscape rather than create a light show. For that, Rashed, Ökoplan's associate partner, sees, "Front yards better have a warm white lighting fixtures, with simple, contemporary, and minimal features, to complement the look."

Another relevant trend nowadays is using uplights; she adds, "Uplighting is a dramatic and great way to highlight architectural and landscaping features – when used in moderation."

## MAKE ROOM

Spacious setup is the go-to plan in interior design these days, especially when it comes to your seaside homes, regardless of how big or small your unit is. Space gives your house a more hospitable character; and given that most second-home units are filled with guests all summer long, roomy receptions or seating areas are a must. "Living room has the lion's share," Rashed notes.

Yet, bedrooms acquire the smallest space, but "functional," she clarifies. So use your blueprint wisely when designing your second house.

Additionally, designers prefer open-concept kitchens in seasonal residences, as they make the entire space feel like one and allow cooking areas to flow seamlessly with living rooms. In other words, it breaks down the barriers in a home and make it more sociable, translating into a larger living room to captivate guests. "This concept is efficient and enjoyable to cook meals and prep for entertaining guests," she underlines.

Rashed believes that second homes also mean that indoor living is getting extended to outdoors, where there is usually a large terrace garden. So it is preferable to dedicate a wide outdoor living area and utilize it properly for night parties or casual family gatherings.



## FOR NON-WATERFRONT HOMES

Owners of non-beachfront units do not get the privilege of enjoy the joy and serenity of stellar views and fresher air that waterfront properties relish. Yet, applying some interior design tips can make such owners have the feeling of living on the water. Invest-Gate asks design gurus Rashed and Salah for their advices to make the best out of their homes, regardless of the home view and features.



### RASHED'S TIPS:

- Provide inner views for all units such as a garden
- Offer a public space for every group of residences, featuring walkways and swimming pool
- Avoid back-to-back units to leave a room for passages



### SALAH'S TIPS:

- Add artworks that suggest summer
- Use accessories that add an airy, cloudy feel to spaces
- Maintain less complex lines, architecture, and accommodation of furniture
- Apply the Mediterranean color scheme

In the end, design trends are always changing and transforming just like seasons. But, the general rule is that your summer home is all about leaving you and your guests with colorful, optimistic, and playful impressions. Summer asks for freshness, always!

### COMFY COZY FURNITURE

When designs are implemented, furniture stands next as the most essential since it brings function to spaces. For Rashed, multifunctional, flexible, and simple pieces, with straight line designs, are always the best choice for vacation houses.

To create a more sleek transition between spaces as well as a coherent decoration that makes the home feel airy, "built-in furniture is the key," according to Saleh. Free-standing furniture that is loose and puffy is also another trendy option, she explains.

Speaking of fabrics, Saleh highlights that the trend also goes toward bamboo and natural organic materials, as well as, a lot of ash and rough textures.

### GO FOR NEUTRAL TONES

Colors are usually one of the main factors that bring feelings of summertime to your second home.

Saleh and Rashed see that neutral tones, in general, are the best choice for they work with any style or taste, including beige, cream, ivory, and taupe. Such color palettes also help change the home style from time to time by adding some art pieces and materials of distinct patterns and colors, giving a totally different look each year, the latter notes.

Al in all, Rashed believes that bright shades of white such as light blue, salmon, and sage green gives life to all things around.



# E - C O M M E R C E V S . R E T A I L

## C O M P E T I T I O N O R C O M P L E M E N T A R I T Y



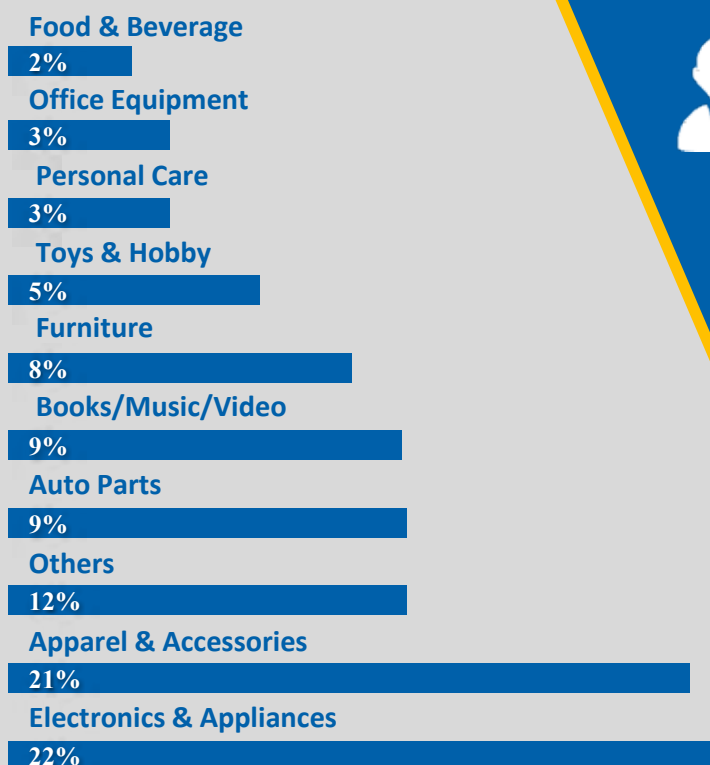
### E-COMMERCE

E-commerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. E-commerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.

### The Effect of E-Commerce on Brick and Mortar Retail

#### EFFECT BY CATEGORY

Not all retail categories are impacted the same, however the list below ranks product category sales by proportion of e-commerce sales:



### ADVANTAGES OF E-COMMERCE

#### Promotion of Products

Product can be promoted in interesting ways and with lots of information directly to the customers.

#### Customers

Customer can reach detailed information and easily compare specs and prices.

#### Brand Image

Entrepreneurs can establish their brands on internet with affordable prices.

#### Customization

Customized products available according to the needs.

#### Order Making

Easy order making to reduce time, effort and a lot of expenses.



ADVANTAGE

## STRENGTH OF PHYSICAL EXPERIENCE

When it comes to shopping, today's consumers are as interested in the experience as the object itself. The sheer power of experience is undeniable, and it can also allow you to really set your brand apart from your competitors. A physical space is so much easier to be individualized than a website, and it has so much more power to evoke all of the senses.

The possibilities for personalized experiences are endless.



*Although shoppers might depend on online stores for product search, reviews, recommendations, discounts, etc., they still prefer an in-store experience to really purchase the product.*



Most of us are having an assumption that the importance of brick-and-mortar stores are fading due to the impact of online stores. But the truth is that both are complementing each other in a very positive way. It's all about consumer behavior and new trends. We in **CBC Advantage** are always tracking the market index and trends, and ready to keep your business updated so you never miss the train...

## EXAMPLES OF COMPLEMENTARITY BETWEEN OFFLINE & ONLINE COMMERCE



The e-commerce leader, is hugely investing in brick and mortar stores by establishing a dominating physical presence in the form of Amazon pop-up kiosks, Amazon fresh pickup, whole foods stores, Amazon treasure trucks, Amazon book shops, etc.



Is combining all of its widespread offline presence with an impactful online presence and brick and mortar stores. It is excellently catching up with Amazon by rolling out a huge number of online grocery pickup services in different locations.

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