

REAL ESTATE NEWS REPORTING & ANALYSIS

DECEMBER 2019 - 44 PAGES - ISSUE 33

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PLAZA
6TH OF OCTOBER

KAZAN
PLAZA
6TH OF OCTOBER

EDITOR'S LETTER

Also, many private developers are to deliver their projects as well; some include first homes in the eastern Cairo suburbs while others boast second homes spread over Egypt's coastal destinations. We can easily claim that 2020 is the year of deliveries... Let's hope those deliveries meet all expectations!

As per our readers' choices, we present the top achievers of this year, starting from developers to brokers, projects, and cities.

Invest-Gate emphasizes the role of technology in this business, shedding light on artificial intelligence (AI) and business intelligence (BI) adoption for a faster and more profitable business.

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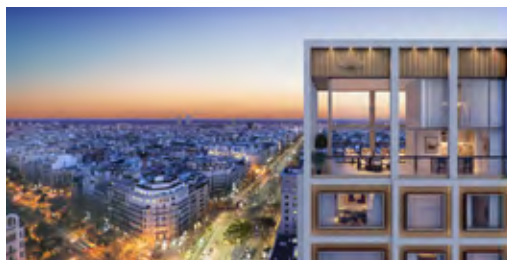
EGYPT HOLDS 4TH LARGEST PIPELINE OF BRANDED RESIDENCES: SAVILLS

Egypt and the UAE hold the largest volume of under-development branded homes, accounting for around 21%, with the former country currently having two branded residence schemes and 14 projects in the pipeline, Invest-Gate reports.

The North African country has the fourth-largest pipeline, behind the US, the UAE, and Mexico, according to Savills' recently released "Branded Residences" report.

Head of Egypt at Savills Catesby Langer-Paget noted, "Earlier this year, the Egyptian Ministry of Housing announced its aim to achieve USD 4 bn of real estate exports within three years, and branded residences were mentioned as a key avenue to achieving this by providing a product that appeals to international investors."

In the Middle East, Emaar Hospitality Group is growing fast with an extensive supply across the UAE and



other neighboring nations, under its "Address" and "Vida" brands, the study indicated.

Savills reported that the branded residences sector has seen seeing phenomenal growth, snowballing by 195% in the last decade. Globally, there are over 430 branded schemes, with a combined total of 65,000 units, the UK-based real estate service provider confirmed.

"A record number of schemes opened this year, with 60 projects delivering more than 9,000 additional branded units across 21 countries," read the report,

adding that the figure will further leap in 2020, once nearly 70 schemes are finalized. This growth was attributed to the rising number of hoteliers with hotel-branded schemes, which account for 86% and 96% of the completed schemes and pipeline supply, respectively.

Marriot International, whose brands include the "Ritz Carlton," "St Regis," and "W," will remain the market leader. Meanwhile, the French multinational hospitality company Accor is rapidly expanding and has an anticipated supply equal to the former hotel chain, according to Savills.

At the city level, Dubai is set to overtake New York as the global branded residences capital by year-end, thanks to a pipeline equal to its current supply of just over 20 schemes. However, Miami has the third-largest number of schemes and will retain its position. In Asia, Phuket is foreseen to overtake Bangkok, wherein there are abundant smaller resort schemes underway.

JLL SHARES POSITIVE OUTLOOK FOR EGYPT'S REAL ESTATE

US-based commercial real estate services firm JLL has unveiled that Cairo's property market saw a positive performance across all sub-sectors in Q3 2019, including hotel, residential, retail, and administrative developments, Invest-Gate reports.

The hotel sector has witnessed a "highest performance since 2008" as the economy began to show signs of recovery, JLL's "Q3 Cairo Real Estate Market Overview" report showed. Occupancy levels grew by 300 basis points to 73% in the January-to-September period, it added.

Likewise, the tourism sector continues to perform well with the new infrastructure, improved security, and major attractions set to open next year such as the Grand Egyptian Museum (GEM).

"As the economic situation in Cairo recovers and the Egyptian pound remains strong, we are witnessing healthy demand levels across all sectors. We expect to see an even more healthy economy in the months to come as the government initiatives and large-scale tourism projects continue to boost demand and drive investment into the market," according to Country Head of JLL, Egypt Ayman Sami.

Tourist arrivals to Egypt are expected to bounce further, with Easy Jet and other operators resuming operations in Sharm El Sheikh and Hurghada. Upon the completion of west Cairo's Sphinx International Airport, JLL foresees more multi-destination visits, which will definitely benefit the capital's hotel industry.



As for the residential sector, villa prices have also risen over the same period by 13% and 11% in the capital western and eastern edges, respectively. However, two of Egypt's major developers have released new gated communities in the former area, where rates are currently more affordable than the latter one.

As for the retail market, rents have surged by 5% in Q3, bringing the total increase to around 20% year-on-year. However, Cairo's office sector has seen rents hike by 9% in central and east Cairo, with leases on the western side drastically improving by roughly 11% in the third quarter. This is due to the strong demand for high-end gated compounds and the recently-launched projects in west Cairo.

More developers are offering flexible office spaces on short-term leases and this concept may prove to be attractive to non-real estate companies, because they are currently assessing the requirements and potential of relocating staff to the New Administrative Capital (NAC).

INERTIA HOSTS EGYPTIAN MUSEUM'S 117TH ANNIVERSARY



Egypt's real estate developer Inertia hosted on November 15 the celebration of the Egyptian Museum's 117th anniversary, in collaboration with the Ministry of Antiquities, Invest-Gate reports.

"We are no strangers to the Egyptian arts and culture scene. We have supported several artists and organizations whose goals are to unleash Egyptian artists' limitless potential locally and beyond, starting from Art D'Egypte to Omar Khairat concerts over the past few years. Therefore, supporting and celebrating our heritage was our natural next step," according to the company's statement.

The exclusive night started with a keynote speech by Minister of Antiquities Khaled El Anany, followed by a tour, a gala dinner, and a performance by Al Nour Wal Amal Orchestra.

The celebration welcomed 300 attendees, of which 70 were VIPs ranging from ministers to ambassadors and celebrities.

Established in 1901, the Egyptian Museum features 120,000 artifacts, with a large amount on display and the remainder in storerooms.



MIDTOWN NEW CAIRO BLENDS LUXURY LIFESTYLE & SUBURBAN SERENITY

Egypt's Better Home Group has been shaping, for almost two decades, fine residential spaces, where hand-picked lifestyles and communities emerge. Today, this legacy continues in its newest ultra-premium destination: Midtown New Cairo.

The extravagant living at this stress-free community exceeded the client's expectations for being strategically designed to complement distinct culture, architectural symmetry, and timeless precision. With more than 75% of its area dedicated to green spaces, the compound perfectly blends the lavish lifestyle with suburban serenity to offer a tranquil environment of fresh air and select luxuries, on top of 57,000 square meters of lush landscapes, catering to the residents' peace of mind.

Inspired by the surrounding greeneries, the ultra-modern structural design of Midtown New Cairo's 43 residential buildings stands out naturally to complement the picture-perfect scenery. By incorporating the basic principles of sustainable, green architecture in every unit and building, exhilarating and practical living solutions are ultimately provided for those seeking a unique and innovative lifestyle to suit today's modern family.

The contemporary façades breathtakingly integrate a mix of wooden and rock cladding that complement the green glass panoramic windows and lush fence bushes, in a bid to promote green living inside and out. Residents of the exclusive compound can choose between four different designs of penthouses, duplexes, and apartments, with areas ranging from 150 to 350 square meters. Each building boasts grand entrances, cutting-edge elevators, and designated parking lots, while offering the highest standards of tranquility and security around the clock.

Situated in Cairo's prestigious eastern edge, Midtown New Cairo evokes an aesthetically pleasing living for resting in close proximity to neighboring prime destinations and far from the city's hustle and bustle. Located

one-minute drive from the strategic 90 Street, the gated community stretches over 18 acres and is equipped with an assortment of well-crafted services, catering to those who value the crème de la crème of leisure.

Tailored for granting quality experiences, amenities at the one-off project encompass a state-of-the-art clubhouse, offering a diverse range of hospitality and recreational facilities, in addition to two swimming pools as well as jogging and cycling tracks encircling the Botanical Garden. Besides, a gym, a health club, a kids' area, and a commercial promenade that boasts an array of signature eateries are found at the clients' fingertips.

Since its inception, Better Home Group has been making waves to offer sustainable world-class communities with lavish lifestyles through its multitude of real estate developments. Besides, it has managed to stand significant in the market by adding specialized subsidiaries under its umbrella to supplement its exceptional vision, among which is Better Office, Better Mall, and Better Mix, aiming to enrich the customers' prestigious living, working, and shopping experiences.

The Egypt-based developer is proudly the only one carrying out four different mixed-use compounds in the New Administrative Capital (NAC), as part of the endeavors to extend unparalleled services and products to aspiring homeowners, stakeholders, and investors.



MISR ITALIA PROPERTIES INVESTS EGP 3.4 BN IN 2019: CEO

CEO of Misr Italia Properties Mohamed Hany El Assal has revealed that his company has invested around EGP 3.4 bn across a diverse range of projects throughout this year, Invest-Gate reports.

In 2019, Misr Italia has injected a total of EGP 150 mn in IL BOSCO City, out of the EGP 22 bn planned investments, with construction works scheduled to start in Q3 2020. Located in east Cairo's Mostakbal City, the 268-acre project will comprise 6,600 housing units, according to a recent press release.

During the same year, Misr Italia has finished concrete works of 300 villas and 2,500 apartments, out of the planned 5,100 units, located in the 207-acre IL BOSCO project in the New Administrative Capital (NAC). Investments in the latter development are set to hit EGP 16 bn. In addition, the 110-acre Vinci project has been set up in NAC with investments amounted to EGP 8.5 bn, boasting 3,000 units to be delivered as of 2022, the statement highlighted.

The Egyptian developer emphasized that EGP 500 mn has been pumped for the establishment of Cairo Business Park, east Cairo, in 2019. The spot spans across an area of 78,000 square meters and is divided into 42 administrative buildings, 15 of which will be delivered soon. It also hosts Hilton Garden Inn, which saw 85% of its concrete works done to be ready for opening by mid-2020.



In Ain Sokhna, Misr Italia is carrying out a mixed-use project called "Kai Sokhna," investing up to EGP 300 mn this year, boasting 340 residential units as well as 180 keys within the five-star Hilton hotel. About 85% of phase I has been finished as it gears to commence delivery by Q4 2020.

"Misr Italia strives to stay ahead of the real estate market, introducing new concepts of blending luxurious smart cities with an abundance of green spaces as per international standards, aiming to create an opportunity to live in a distinctive and unique integrated community," read the statement.

ODH STARTS DEVELOPMENT OF ECO-BOS PHASE I IN UK



Orascom Development Holding (ODH) has commenced the development of its first-ever project in the British Eco-Bos Development Limited in Cornwall, called the "West Carclaze Garden Village (WCGV)," Invest-Gate reports

This came after the Egypt-based company has demonstrated its financial viability by identifying its funding sources and obtaining the necessary development permits, according to a press release on November 6.

ODH is planning to launch the first phase of WCGV in the future, introducing a mixed-use residential development that mainly targets local, primary home buyers, and spanning across 196,604 square meters, the statement added.

Phase I includes around 1,500-1,800 homes built within extensive greeneries and lakes. Besides, a 420-student primary school, an office park, a "village center" that is complemented with an assortment of retail, food and beverage (F&B), and community service outlets, in addition to a seven-megawatt solar energy farm, are also found on-site.

WCGV has been designated a "Garden Village" as well as an "Eco-Town," which are being executed in partnership with the British state for creating a "healthy town," to be accredited by the National Health Service (NHS).

"These accolades are all related to initiatives supported by the UK government in the context of its long-term plan for providing mass housing to meet huge demand while promoting principals of affordability, sustainability, and healthy living," according to the statement.

OHD noted that the project's total land bank of 6.5 mn square meters "allows planning the development of a multitude of projects over the next two decades, strongly helping to achieve the company's strategic objective to diversify into the relatively stable and attractive market for European first homes, while having positive cash flows and consolidated profits from an early stage."

ODD LAUNCHES PHASE II OF NEW CAIRO'S AZADIR



Oriental Development (ODD) has launched phase II of its New Cairo flagship project, Azadir, offering diverse unit types at competitive prices, Invest-Gate reports.

Dubbed "Presidential Suites," the latest phase has been kicked off in a celebration attended by the company's representatives and success partners, where Managing Owner of ODD Mohamed Farid Khamis noted, "Azadir is situated in a strategic spot in east Cairo, with properties offered at competitive prices, wherein balancing between luxury and innovation."

Featuring unique designs that merge vintage style with modern and contemporary designs, units at the newest phase vary in areas from 55 to 130

square meters, according to a previous statement. "Innovative design studies have been developed, in cooperation with the project's consultant Azure, in a bid to make use of every inch; even the 55-square-meter homes will feel spacious," Khamis was quoted as saying.

Back in 2018, ODD released Azadir, which spans across nearly 70,000 square meters and offers 81% greeneries, as part of its endeavors to promote a green and healthy living environment. The compound includes various commercial, retail, and dining spaces, in addition to swimming pools, kids areas, a clubhouse, among other services. Also, the compound is a few-minute drive from the Ring Road and the American University in Cairo's (AUC) New Cairo campus.

Carnelia

S O K H N A

YOUR SEASIDE CHOICE

Rising 160 meters above sea level, Carnelia stands as the newest masterpiece at the heart of the Red Sea. Developed by Ajna Developments, a boutique developer setting out to redefine conventional perceptions, Carnelia exudes luxury and convenience complemented with 360 turquoise sea views. The destination's core beauty lies in its prime location; situated 30 km from Ain Sokhna gates, 15 km from Al Zaafarana Road, and crowning a prime spot neighboring the International Marina as well as the Galala Resort.

An Escape That Inspires Warmth

Taking inspiration from a stone prompting warmth, empowerment, and leadership, Carnelia harmonizes the living experience to balance the vital ingredients of peaceful living, nature, people, modern architecture, and entertainment. The distinctive gem stretches along 100 acres and is fringed with a lively beach bar, perfected by impeccable service and fresh culinary delights, in addition to 4 beach clubs, each offering a variety of water-sport activities to entertain the whole family all year round.

Planned to Perfection

Master-planned by Dr. Maher Stino of Sites International, with ultra-modern masterpieces for unit design brought to life by world-renowned Mexican architect, *Javier Cuevas*, founder of *Creto Architects*, Carnelia introduces three exclusive, gated communities. These sanctuaries are seamlessly interconnected with ultra-modern bridges and quality roads, reflecting an unparalleled union of function and form. The secluded, yet connected destination offers a variety of fully-finished homes, including twin houses, town houses,

chalets, cabanas, and standalone villas, all enjoying private access and parking. It also provides residents and guests with 12,000 m² of swimmable lagoons, four charming club houses, as well as a world of immersive experiences offered by a top-class, 5-star boutique hotel that blends utmost luxury with unparalleled comfort to bring top-notch services to each doorstep.

Sail Across the Red Sea in Style

Serving Ain Sokhna's eternal smooth winds and direct access to the Galala Touristic Marina, Carnelia offers residents the chance to dock their boats across a 300-berth harbor that is fully equipped with the latest technology and top-notch amenities to ensure all owners have quick and easy access to their boats.

Living at such close proximity to one of Egypt's fastest developing projects, links homeowners to a cutting-edge medical center, the first Olympic Village for sporting events, and an internationally acclaimed university. It also increases their investment value, along international players in what is set to become the new face of Ain Sokhna in years to come.

A Shopper's Paradise

An all-encompassing retail zone further accentuates the all-around experience at Carnelia. Ideal for all family members, it offers an impressive array of stylish boutiques, trendy label stores, kids' areas, artisanal cafes, gourmet bakeries, supermarkets, and upscale restaurants. Carnelia's retail zone is the place to make memories over coffee, drinks, or culinary adventures, crafted to impress.



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CABINET NODS WB’S USD 500 MN FUND FOR SOCIAL HOUSING

Egypt’s cabinet has approved a supplementary fund of USD 500 mn (EGP 8.1 bn) from the World Bank (WB) for financing the country’s social housing program, coming under a portfolio worth USD 8 bn (EGP 129.1 bn), Invest-Gate reports.

The WB’s “Inclusive Housing Finance Program” is part of President Abdel-Fattah El-Sisi’s directives to accelerate the completion of these public housing developments, therefore swiftly delivering the residential units to low-income citizens, according to a recent cabinet statement.

During the meeting on November 5, the cabinet also nodded the Ministry of Finance’s proposal to ease some of the value-added tax (VAT) reimbursement procedures, which reflect the state’s keenness to address investors’ complaints.



Launched in 2015, the WB’s program is aimed at boosting the social housing fund’s efficiency “through strengthening its skills, abilities, processes, and resources . . . It aims to improve the affordabil-

ity of formal housing for low-income households in Egypt and to strengthen the capacity of the Social Housing and Mortgage Finance Fund (MFF) to design policies and coordinate programs in the social housing sector,” according to the financial institution’s official website.

“To date, the program benefited 241,517 families. As of last January, 66% of the beneficiaries fall under the average poverty line in Egypt; 98% fall below the average monthly income level per household in Egypt; 63% fall below the minimum wage level; and 84% of the project’s beneficiaries fall under the median Egyptian wage level, thus catering to the bottom 40% of the Egyptian population. These figures demonstrate the importance of the project’s contribution to Egypt’s social safety net, especially at a time when inflation is on the rise,” read the website.

SOCIAL HOUSING PROGRAM PROVIDES EGP 27 BN FUNDS TILL OCTOBER



Egypt’s social housing program has successfully provided residences for 275,000 families, in collaboration with 29 banks and mortgage companies, at a total financing value and a subsidized cost of EGP 27 bn and EGP 4.3 bn, respectively, up to last October, Invest-Gate reports.

The announcement came during the 35th African Union for Housing Finance (AUHF) Conference, held under the theme of “Realizing Affordability in Global Housing Markets,” from November 4 to 6 in South Africa. Jointly organized with the International Union for Housing Finance (IUHF), the five-session event reviewed the main hurdles facing home seekers in Africa, whereby affordability comes on top, according to a ministerial statement on November 5.

AUHF Conference is aimed at exchanging experiences between the 13 participating countries and 47 members, besides surveying experts from prestigious international institutions such as the World Bank (WB), the International Finance Corporation (IFC), and the African Development Bank.

During the three-day event, Mai Abdel Hamid, the fund’s CEO, presented the Egyptian experience in developing competently affordable residences for low-income citizens through the state’s social housing program, launched back in 2014. This comes in addition to reforming the policies hindering investments into the local housing sector, she said, emphasizing that this program is placed on top of its kind across the continent.

Abdel Hamid asserted that the state is looking for ways to partner with the private sector, attempting to provide affordable high-quality properties. Moreover, the government is keen on strengthening the levels of governance and institutional structure of the fund, in addition to promoting transparency and accountability in social housing programs.

The CEO highlighted that the government is also working to bolster Egyptian women’s real estate ownership, especially widows and divorcees, noting that 55,000 women-led families have received social housing units, marking 20.5% of total beneficiaries. When it comes to youth, 70% of the recipients are under 40 years old.

NUCA INKS PROTOCOLS TO DEVELOP UNUSED LANDS: OFFICIAL



Assistant Housing Minister for the New Urban Communities Authority (NUCA) Waleed Abbas said the authority has inked several cooperation protocols with the public enterprise sector and awqaf ministries to develop the latter’s unused lands nationwide, Invest-Gate reports.

The announcement came during the fourth edition of Al Mal GTM’s “The Real Estate Debate,” titled “Growth Catalysts 2020,” on November 3, held under the auspices of Prime Minister Mostafa Madbouly.

According to Abbas, the government is planning to create a database that includes the volume of investments pumped in each city, together with lands available for sale and developers’ record actions, benefiting potential buyers and companies alike.

Speaking of the new mechanism of immediate land allocation, NUCA received 1,250 requests for land acquisition, of which 112 are approved to date and parcels have been allocated accordingly. Investors’ applications showed an unprecedented demand on Upper Egypt cities, including Minya, Assiut, Sohag, and Aswan, the assistant housing minister underlined.

MARAKEZ GETS EGP 395 MN LOAN FOR MALL OF ARABIA EXPANSION

Marakez for Real Estate Investment, a subsidiary of Saudi Arabia's Fawaz Alhokair Group, has signed a long-term loan agreement with Emirates NBD Egypt to provide EGP 395 mn worth of funds for Mall of Arabia's phase II, or "The Expansion," which will add up 40,000 square meters of leasable space. Invest-Gate reports.

"This facility represents a significant step in the implementation of our EGP 17 bn strategic investment plan in the Egyptian market," Marakez CEO Basil Ramzy said in a press release on November 11. He added that the mall's new expansion plan will include the development of Cairo's first in-mall IKEA store, coming with a gross leasable area (GLA) of 22,000 square meters.



"We are thrilled that the beloved Swedish brand [IKEA,] has selected Mall of Arabia to have its second store in Egypt, affirming the success of our ambitious expansion plans in the Egyptian market and our significant investments for the development and expansion of Mall of Arabia," Ramzy emphasized.

He further noted that his company's cooperation with Emirates NBD shows that "Marakez is moving steadily to become the largest mixed-use real estate development company in Egypt that develops shopping malls based on the highest international standards."

For his part, Amr Azab, head of the credit sector at Emirates NBD Egypt, underlined, "Providing such credit facilities aligns with the bank's willingness to extend financing major projects in the Egyptian market as part of its strategy to expand in all economic sectors ... The bank succeeded in doubling the size of its corporate loan portfolio by an average accumulative annual growth rate of 44% by focusing on funding infrastructure and urban development projects."

MABANY EDRIS TARGETS EGP 1.25 BN INVESTMENTS IN NEW ASSIUT

Egypt's property developer Mabany Edris plans to pump investments worth EGP 1.25 bn in its first-ever integrated compound in New Assiut, aiming to deliver phase I of the project within two years, Invest-Gate reports.

The new development will be implemented over four or five phases in four years. Among other modules, the compound will comprise luxurious villas, with areas ranging from 200 to 350 square meters, Mohamed Edris, the company's CEO, revealed in a press release on October 27.

Besides, it will encompass high-quality services such as commercial spaces, social and health



clubs, alongside several restaurants and swimming pools, Edris further stated.

He noted that extensive research has been conducted to recognize customer preferences, and thus determine suitable areas and services for all residents. He emphasized the rising purchasing power of Assiut locals, backed by their high-income levels, in addition to their willingness to own luxurious units similar to those of the capital.

Since its foundation 20 years ago, Mabany Edris has developed an array of mixed-use properties in east and west Cairo, varying between residential, commercial, medical, administrative, and industrial projects.

MNHD LAUNCHES NEW PHASES OF TAJ CITY, SARAI

Managing Director and CEO of Madinet Nasr Housing and Development (MNHD) Ahmed Al Hitamy has uncovered the launch of three new phases of New Cairo's Taj City and Sarai, Invest-Gate reports.

The announcement came during the first media tour by MNHD, mainly organized to show the latest updates on the ongoing projects, in the presence of Sherif Shawky, the company's senior technical director, and MNHD's Financial Director Mohamed Abdel Salam, the Egypt-based developer noted in a recent press release.

Other attendees included Walid Abdel Fattah, senior vice-president and managing director of Hill International (North Africa), who principally attended the event after contracting with the Egyptian developer to build the latest phase of Taj City, called "Zone T," over a surface area of 350,000 square meters. The latest release will include 200 buildings, along with a clubhouse and a community center. All in all, the total value of Hill's current contracts with MNHD stands at EGP 4.5 bn, he highlighted.



For his part, Al Hitamy confirmed, "Through our partnership with Hill International, we would also be building the latest phases of Sarai project, which are Taval and Zone S2," noting that both phases extend across more than 750,000 square meters and are set to boast around 4,800 residential units.

He added that MNHD has assigned Engineering Consulting Group (ECG) to supervise the construction of the supra phases, while contracting with Gama Engineering and Construction Services to carry out the latest engineering and construction works on-site, with investments amounted to EGP 2.4 bn. This comes together with an agreement

with Egypt-based Al-Kharafi Group to carry out infrastructure developments of Sarai, valued at nearly EGP 430 mn.

MNHD has also sealed a deal with Moharram Bakhom to supervise the implementation of Zone T's construction works, utilities, and facilities, in addition to another EGP 250 mn agreement with Medicom for the project's infrastructure. The company also inked an EGP 600 mn contract to bury high-pressure lines within Taj City.

So far, the property developer handed over 1,700 residences in Taj City's phase I, which hosts 500 families up until now. This is in addition to the beginning of the delivery of units in Capital Garden, a mini compound coming as part of Sarai.

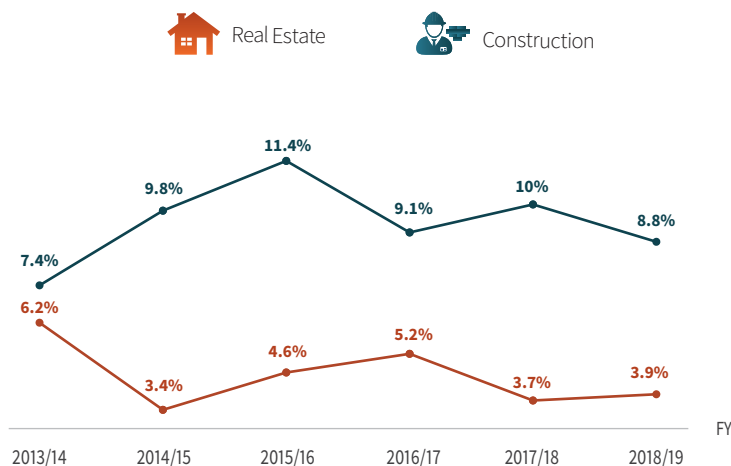
Last year, MNHD managed to break the records and deliver 3,000 residential units, divided upon Nasr Gardens, Tag Sultan, and Premiara compounds in Nasr City. It owns a land portfolio of more than 9 mn square meters, with over 15,000 units under development across five projects in Greater Cairo.

EGYPT'S REAL ESTATE MARKET BUOYANT

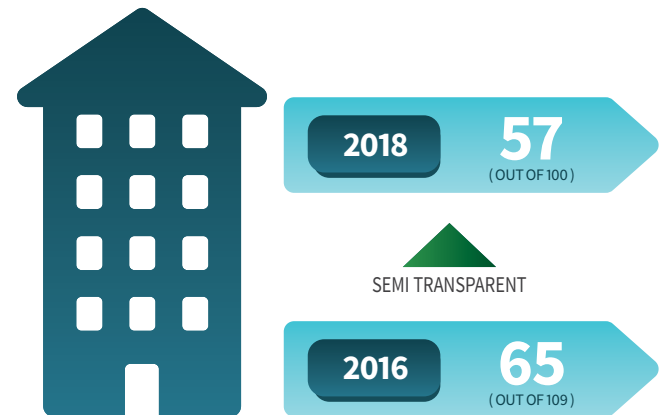
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REAL ESTATE & CONSTRUCTION PERFORMANCE (GDP GROWTH RATES)



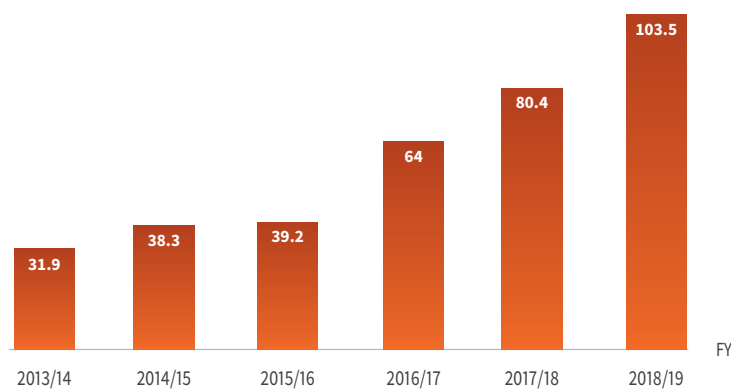
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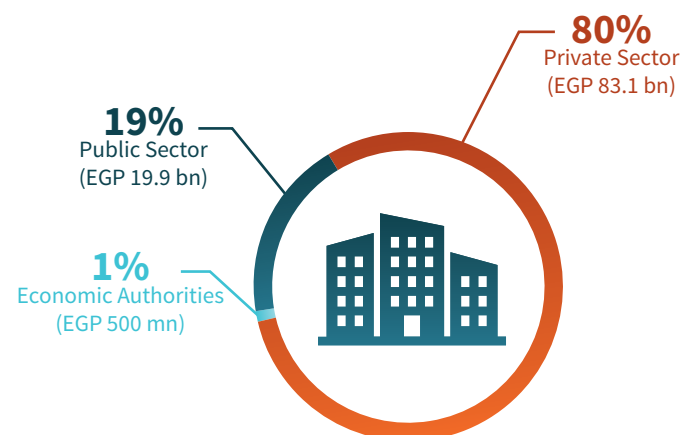
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REAL ESTATE INVESTMENTS (EGP BN)

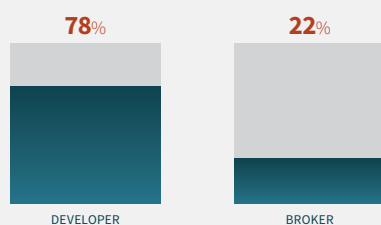


REAL ESTATE INVESTMENTS BY SECTOR IN FY 2018/19

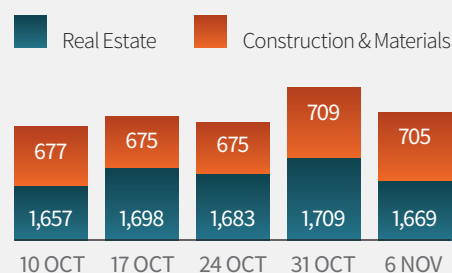


Online Monthly Survey

WHEN BUYING A UNIT, WHICH PARTY DO YOU PREFER TO DEAL WITH?



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



PRICES OF CONSTRUCTION MATERIALS (OCTOBER 2019) (EGP)

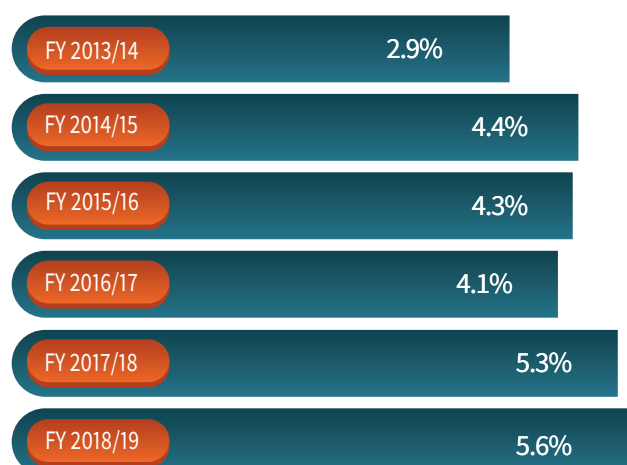
STEEL BARS (per acre) 11,750 (YOY -12.2%)	CRETAL STEEL (per acre) 10,500 (YOY -14.6%)	PORTLAND CEMENT (per acre) 800 (YOY -11.1%)	COARSE SAND (persqm) 70 (YOY 7.7%)
SOLID CEMENT BRICKS (per 1,000 bricks) 1,100 (YOY 3.8%)		BRICK HOLLOW CONCRETE (40x20x12 cm) (per 1,000 bricks) 5,050 (YOY -2.9%)	

Sources: Central Bank of Egypt (CBE), JLL, Egyptian Exchange (EGX), Ministry of Housing, and Invest-Gate R&A

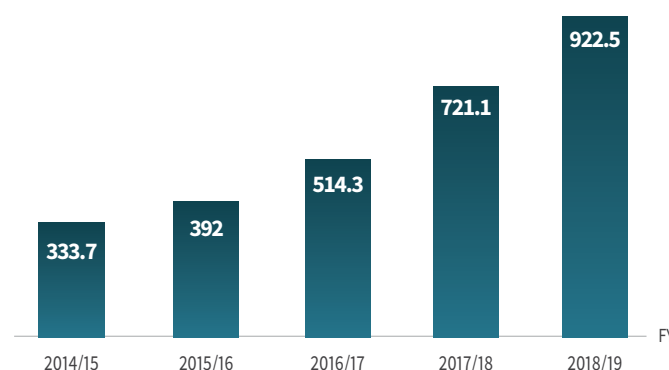
ECONOMIC SNAPSHOT



EGYPT'S ECONOMIC GROWTH RATES



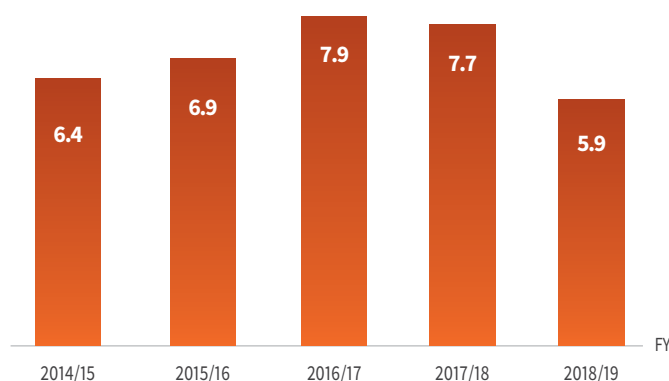
TOTAL INVESTMENTS IN EGYPT * (EGP BN)



* TOTAL IMPLEMENTED INVESTMENTS ARE CONTRIBUTED BY PRIVATE SECTOR, GOVERNMENT SECTOR, NATIONAL PROJECTS, PUBLIC COMPANIES AND ECONOMIC AUTHORITIES



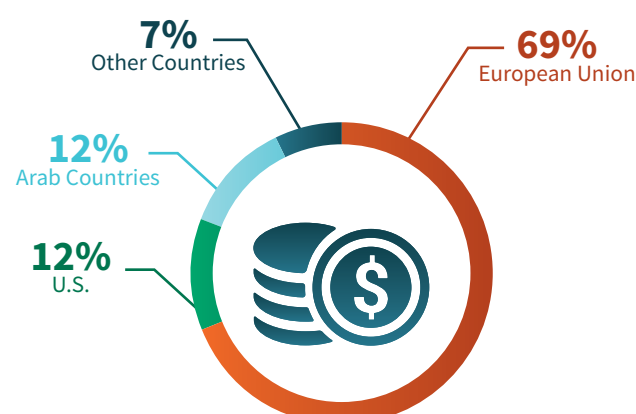
FDIS* IN EGYPT (USD BN)



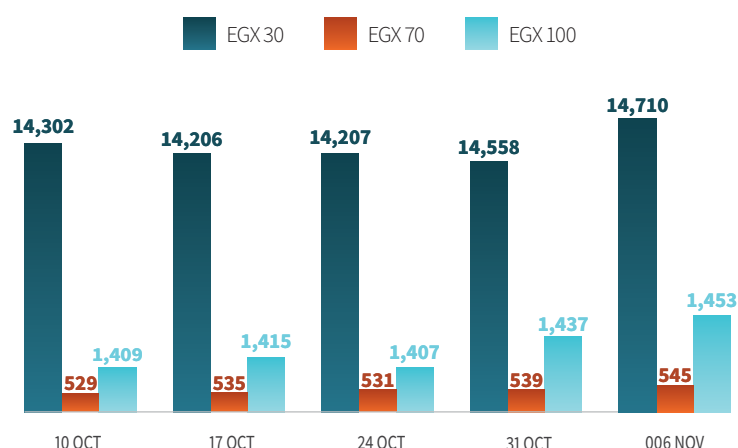
* FDIS: FOREIGN DIRECT INVESTMENTS



COUNTRIES' SHARE IN FDIS INTO EGYPT (FY 2018/19)



CAPITAL MARKET INDICATORS



NET FOREIGN RESERVES (USD BN)



ANNUAL HEADLINE INFLATION





PAVILLION ARCHITECTS SHAPES THE EASY-CARE DESIGN WORLD

For every mesmerizing building established by a high-caliber engineer, a design/advisory firm has solved equations and exercised its creative flair to push edifices higher into the sky. Because great architectural designs are always a point of departure, Invest-Gate talks with Yasser Assem, chairman and CEO of Pavillion Architects, one of Egypt's long-established architecture company, to discuss his vision of creating bespoke designs. After a long history of making bold moves, fueled by a sublime and solid design philosophy, the market guru voices the fruitful end-to-end experience and sound tactics that his business has managed to hold for enhancing projects' productivity and boosting profits, even during uncertain times.

WHAT IS YOUR COMPANY'S DESIGN PHILOSOPHY? WHAT MAKES PAVILLION ARCHITECTS SPECIAL?

Being in business for almost 35 years, we do not consider ourselves architects only, but rather our clients' partners in success. When starting off with any customer, we first conduct intensive market research to extend the in-depth competitive analysis for developing a financially viable project. Several conceptual designs and feasibility studies are then undertaken, with associated costs and estimated time frames, to assist investment decision-making. This is our edge to compete on the Egyptian market; we provide one-of-a-kind in-house services: Market research, feasibility studies, financial analysis, plus the design concepts, all at the end user's fingertips.

Perhaps most importantly, Pavillion Architects also embraces a firm belief in user-centeredness. For us, collaboration design is not just a buzzword; we deliver a flawless product that is a true reflection of the client's vision. Embellished with a creative aspect that lures the targeted segment, our iconic designs illustrate the consumer's envisages to holding ever-higher footholds in the market and creating cost-effective/service-friendly developments by blending our inspired problem-solving, careful process, and multi-skilled talent.

SINCE YOUR INCEPTION IN 1984, WHAT ARE THE MOST PROMINENT PROJECTS YOU HAVE UNDERTAKEN SO FAR?

Pavillion Architects proudly shines as a leading architectural and interior design firm in the local hospitality and tourism sectors. One of our most remarkable developments is Port Ghalib City, which has many other proj-

ects under its umbrella such as Marsa Alam International Airport, Tower Village, on top of Port Ghalib Corniche Building. The latter state-of-the-art venue has been jointly established with Al-Kharafi Group (aka MAK Group) as well as the world's most distinctive engineering and architecture design firms, WATG and AECOM.

Indeed, we have also managed to develop an extensive batch of unmatched tourism masterpieces with strong competitiveness, designing various hotels - comprising over 55,000 keys - locally and regionally. Rixos Seagate Sharm, New Cairo's Royal Maxim Palace Kempinski, and InterContinental Dakar in Senegal are just a slew of our exceptional archetypes.

Of course, we cannot miss the renowned Peace Icon Memorial in Sharm El Sheikh, which is a real symbol of peace that has been master-planned in a technically unique way, combining modernity with the Pharaonic civilization. The project entered the Guinness Book of Records as the largest- and longest-ever metal artwork, with a whopping height of 43 meters.

DO YOU THINK ADOPTING THE DESIGN-BUILD SYSTEM IS EFFECTIVE FOR PROJECT DELIVERY? IN WHAT WAYS DOES THIS CONCEPT IMPACT ANY COMPANY'S SUCCESSFULNESS AND ATTRACTIVENESS?

The design-build system has ultimately succeeded in standing as an all-time effective delivery method, managing to gain momentum worldwide. Clients and building owners select the concept for multiple reasons, including shortened project duration, early cost establishment, reduced risk, single point of responsibility, and inspiration for construction innovation.

To adopt this system, a well-skilled team is appointed to employ or engage sufficient resources to prepare briefing documents prior to tender, and also ensure that all the necessary materials are extended for consulting with contractors during the detailed design and construction stages. Without good communication throughout this process, the output will unlikely measure up to expectations and meet the levels of quality attainable under more traditional delivery methods.

We have been adopting this concept for long enough, starting off with “City Centre Alexandria” in Egypt, among other domestic industrial projects, and flying all the way to Yemen, where we designed the Great Mosque of Sana’a, known as the second-largest-ever mosque. Pavillion Architects, along with other local contractors and designers, endeavors to make the concept - despite being unclaimed in Egypt - make headway in the Egyptian construction sector, which has been recognized as Africa’s top performer in 2018.

CAN YOU ELABORATE ON YOUR EXPERIENCE WITH SUSTAINABLE DESIGNS? HOW DO YOU DETERMINE THE IDEAL GREEN DESIGN TO PURSUE?

Green buildings are mainly tailored to create a more liveable, resilient, inclusive, and sustainable living environment for our future generations. Our design team has a pronounced passion to contribute to the development of various green ventures, including Orientals for Urban Development’s (OUD) upscale residential compound in New Cairo, called “Azadir,” amongst many other hotels and office spaces.

However, the green building design strategies being adopted in western countries cannot be applied in Egypt in the same manner, because otherwise, it will lose its cost-effectiveness. In the meantime, until attaining high integrity in terms of costs, we go in-between and do not seek to pursue high LEED certification, opting for a silver one instead. Hands-on models of our approach include Al Jazi Gardens in New Cairo, as part of the envisages to engraving more footprints toward the proper application of green building.

HOW DO THE ECO-FRIENDLY DESIGN STRATEGIES IMPACT THE CONSTRUCTION BUDGET?

As already mentioned, Pavillion Architects is a very unique company that stands hand-in-hand with its clients from the concept stage until the end-product is successfully delivered. We partner with those who command the most power in the local and international finance sectors to carry out some well-crafted financial plans. Better yet, through every line we draw and design, viability is borne in mind, in addition to the impact on the developer and end-user.

Simply put, we are not building cities on the moon, but instead, we seek to brace healthy, harmonious, and age-friendly communities, while presenting affordability at its core.

IN WHAT WAYS DID THE EGYPTIAN ECONOMIC CONDITIONS AFFECT PAVILLION ARCHITECTS’ VISION OR DESIGNS?

Having an aesthetically pleasing design does not necessarily involve expensiveness. In fact, paying a high price, in itself, does not guarantee premium quality. Conversely, a fine design shall provide value for money in terms of both total amount and costs in use.

From the get-go, the operation and maintenance equations, as well as, the appearance of the façade and effective use of space, are uppermost in the minds of both our design team and clients, thereby not only assuming the initial budget, but also the running costs.

Therefore, economic conditions are not earth-shattering in the world of Pavillion Architects. With our long-standing skills in value engineering (VE)

and technical know-how to incorporate cost-wise features into the blueprints, we always manage to optimize building design without compromising functional, structural, environmental, or aesthetic attributes.

When the New Alamein towers first took off last year, people scratched their heads and dropped their jaws in disbelief, surmising that units will be ridiculously expensive, ergo turning away several potential clients. But nowadays, the project is the hottest selling product and is still booming, in spite of its flaunting contemporary luxury designs and sky-high sea living. With VE enforced on this coastal project to improve performance and quality, we managed to drive an exceptional local and international consensus for promising affordability, cost-effectiveness, and lavishness altogether.

IN YOUR OPINION, WHAT ARE THE CHALLENGES DESIGNERS FACE IN EGYPT VERSUS OTHER COUNTRIES? LIST A FEW DRAWBACKS YOUR COMPANY ENDURED OVER THE COURSE OF ITS OPERATION.

Designers in Egypt are not really taking the right pace and are in need to procure additional sector-related education.

Historically, at the end of World War II, huge swaths of the world have been reduced to ruins. Since builders could hardly build homes fast enough, post-war houses are tagged for having a sameness to them (i.e. lacking artistry). But later in the 19th century, restoration and reaction attempted to search for a new architecture that echoes the self-satisfied conformity of the cultural identity. However, this only happened with public awareness of the architectural revisionism.

The same goes for Egypt, where more people are hungry for cultural awareness. For example, tours to some of the country’s most coveted and curated marvels shall be arranged so as amateurs get updated and informed about art, architecture, and design. Maybe then, communities would be inspired to further invest in architecture.

Generally speaking, architects and designers are more of selling the timeless man-hours, the fine designs and creativity skills, the ingrained experience, and the long-term vision. However, these abstract aspects and quality attributes are still overlooked and underestimated by Egyptians, despite capturing the much larger, potential future savings. As the overall expenditures keep skyrocketing and the market competition gets fiercer, architectural designs will remain on the back burner.

WHAT ARE SOME OF THE GROOVIER DESIGN TRENDS FOR 2020?

In 2020, I believe architectural trends will be more about practicality and economic efficiency, with a greater tendency toward community-friendly and green spaces. Besides, clients will shift focus to executing service projects and will give low priority to housing developments in the upcoming year.

CAN YOU SHED LIGHT ON THE PIPELINE PROJECTS FOR PAVILLION ARCHITECTS?

Major products in the pipeline include multiple towers on the North Coast, together with a diverse range of design works for a number of branded residences, mixed-use projects, and more hotels to be recently introduced to the local and regional markets.

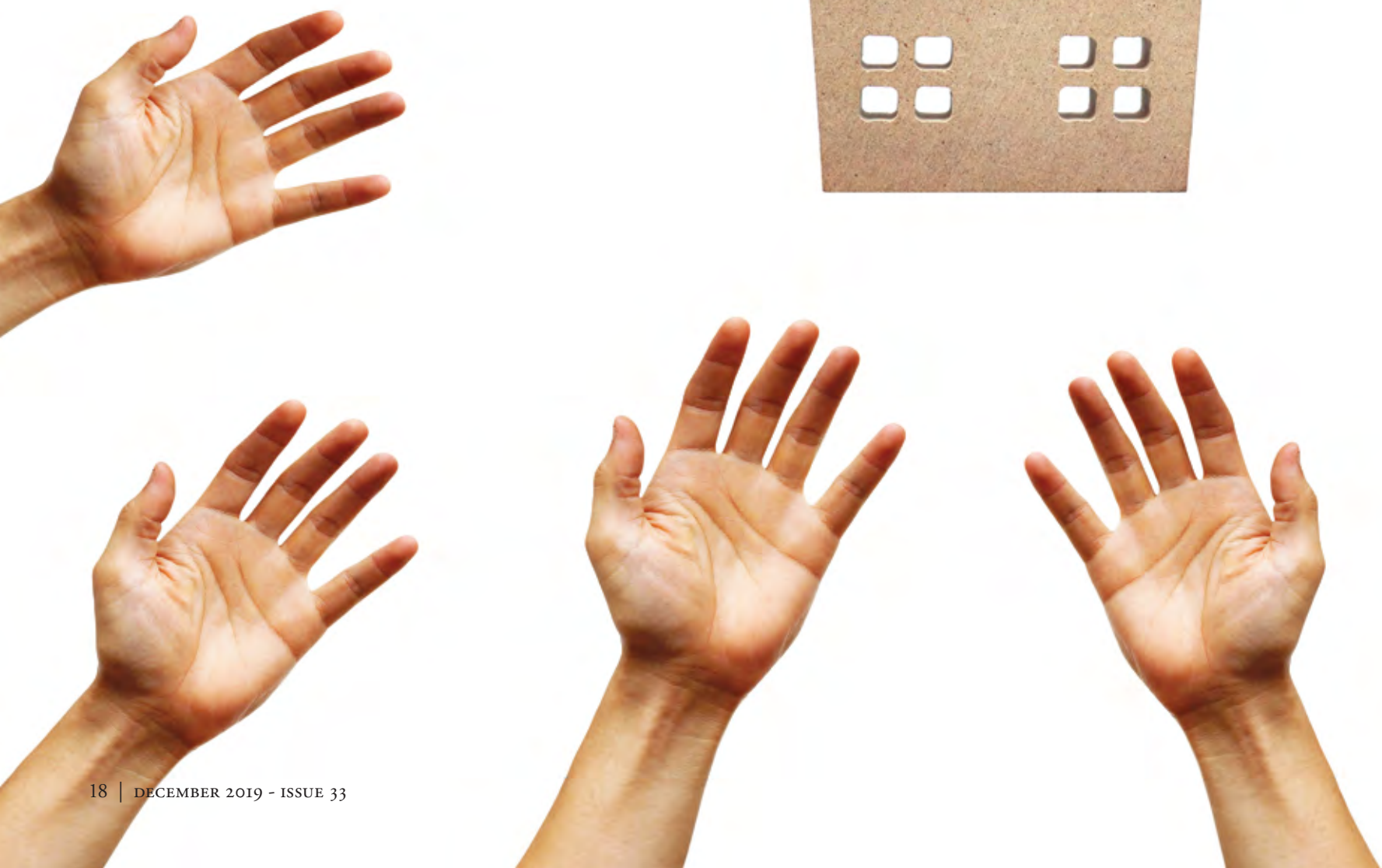
Furthermore, a very sophisticated development is in the making, in collaboration with several local and international operators, the world’s largest medical tourism city. For now, I prefer to keep the details murky, but it is worth the wait!

DEMAND VS SUPPLY BOOMING OR BUSTING IN 2019?

BY JULIAN NABIL & SARA MOHAMED

The economics of real estate rests on supply and demand curves for being closely intertwined concepts, determining production and resource intensity, as well as, consumer spending. In fact, many companies analyze this market relationship before making strategic investment decisions and setting product prices.

As the end-of-year deadline approaches, a thorough going-over of these two crucial poles of the industry is fundamental to assess the status quo. Therefore, Invest-Gate puts the Egyptian real estate sector under the spotlight, examining the current supply and demand conditions, while laying hands on the trending tactics used by property developers to excel and ace the market circumstances.

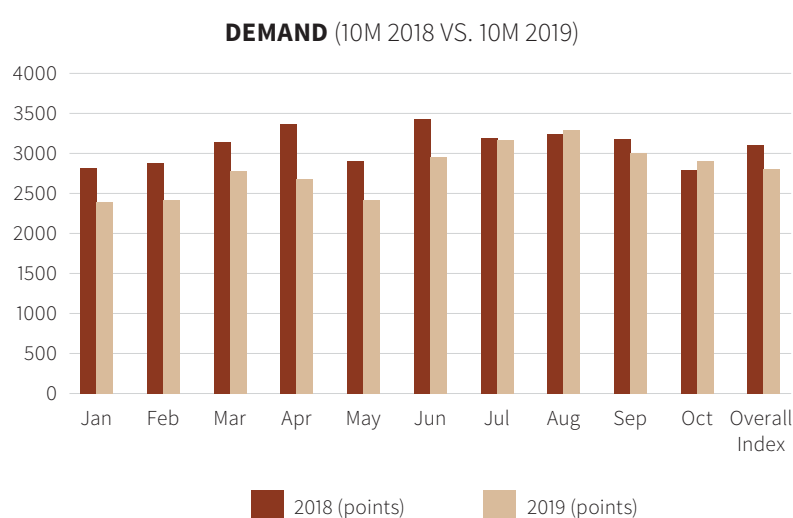


DEMAND

VOLUME

Egypt's demographics had been the main driver of residential demand, as is the case in many high-density countries, with the population growing around 1% to reach roughly 98.1 mn, excluding expats, in 2019, based on official figures by the Central Agency for Public Mobilization and Statistics (CAPMAS).

On the other hand, the property market saw a decline in the volume of demand this year. According to Egypt's property listing platform Aqarmap, the real estate index recorded 2,810.4 points in the first ten months of 2019, a decline of 9.5% from the 3,108.4 points registered in the corresponding period last year.



This is mainly dragged down by buyers' slowing affordability, a near saturation in the upper-middle- and upper-class demand, alongside the under-supply of affordable units by the private sector, according to Aqarmap Business Development Manager Ahmed Abdel-Fattah.

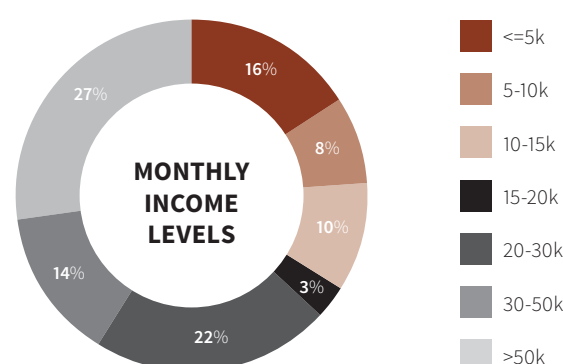
Based on the FY 2018/19 estimates of the Arab African International Securities (AAIS), the overall demand in Cairo and Giza is mostly dominated by middle- and low-income classes at 71% and 14.2%, respectively. In addition, a solid majority (70%) of potential purchasers shop for properties with a maximum price tag of EGP 1.5 mn this year, according to Invest-Gate R&A's report titled "The Purchasing Power Report 2019."

In contrast, market experts see the high-end residential units remain to be an integral part of the private housing supply, leaving the larger chunk of those falling below the upper-income class mainly served by the government's offerings only.

BUYER DEMOGRAPHICS & PREFERENCES

The change in this year's demand volume reflected a shift in the type of potential buyers, hence the preferences. In 2019, a whopping of 63% of willing purchasers fell into the bracket of EGP 20,000 to over EGP 50,000, while only 24% of those who can afford to buy units earn below EGP 10,000, according to Invest-Gate R&A's recent report.

Besides, 71% of prospective investors looked for apartments, while only 23% preferred villas, the study highlighted.

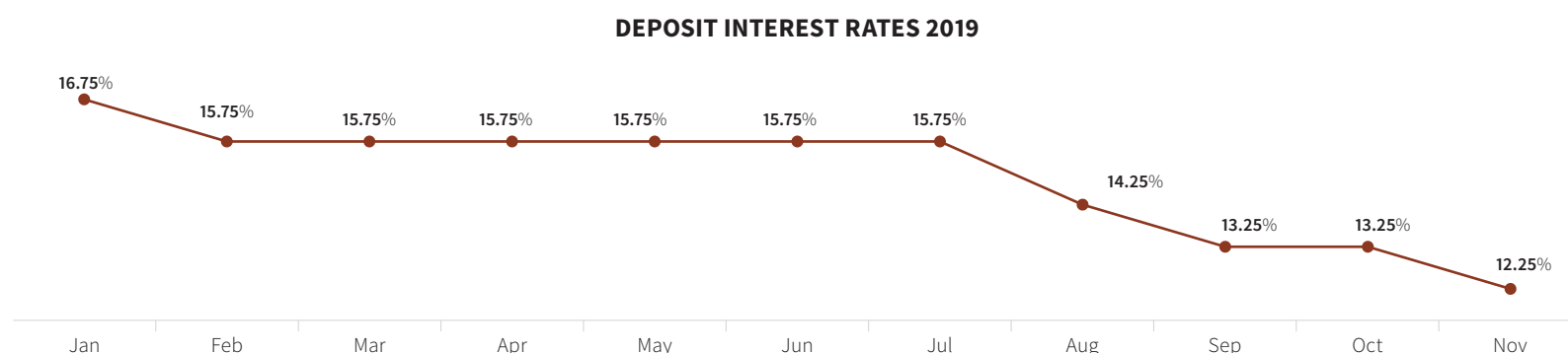


On another note, a mass influx of clients are still bound to buy real estate for primary residence purposes, tending to downgrade their requirements and preferences as property values spring up and purchasing power slows down, Mena Group Founder Fathallah Fawzy tells Invest-Gate.

Additionally, JLL Country Head of Egypt Ayman Sami argues that unit price hikes fueled the demand of actual home seekers for rentals as an internal solution this year. However, 78% of potential buyers still prefer to purchase rather than rent, 71% of which are willing to seal deals in the present juncture but are still scouting for satisfactory properties, Invest-Gate's latest study revealed.

On another note, Sami notices more inclination toward the resale market as 2019 approaches its end, mainly driven by the declining interest rates since February, with the overnight deposit rate reaching 12.25% in mid-November.

Furthermore, he notes that second homes saw less demand this year compared to previous years, which had witnessed booming sales. This is mainly due to the fact that "rates of coastal houses have been proliferating at a higher 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," Mohamed Hammad, managing director of Property Finder, previously told Invest-Gate, underscoring that the upper-income group takes up the lion's share of targeted clientele, hence sales for this year's summer.

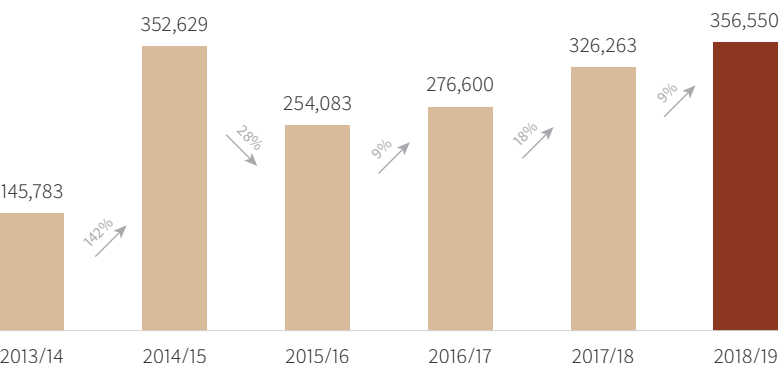


SUPPLY

VOLUME

On the supply front, there is no clear-cut raw data on the volume of real estate properties during the current year, however, JLL claims that a total of 158,000 residential units has been implemented in Greater Cairo until the third quarter, with 11,000 others scheduled for completion by year-end, it indicated in the “Q3 Cairo Real Estate Market Overview.”

Egypt’s overall real estate supply has been generally witnessing an upward trend for two consecutive fiscal years, and Invest-Gate foresees a 9% growth in FY 2018/19, with the pipeline volume most likely bringing in 356,550 residences, compared to 326,263 units in the prior-year period, CAPMAS previously uncovered.

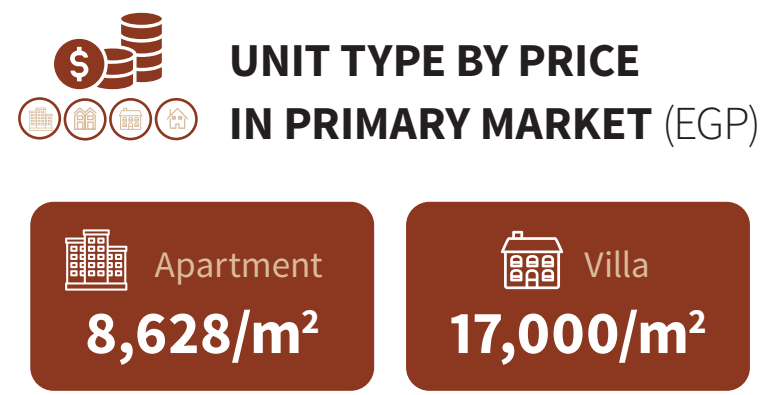


However, Fawzy is concerned about the fails-to-deliver shares of small-sized property developers, anticipating their potential setback to finalize the planned products on-time if a liquidity stress scenario emerges.

“This may come into play in the wake of the various payment facilities and flexible plans offered by real estate companies to lure as many purchasers as possible, including no upfront costs and installment terms of up to ten years, together with the government-backed mortgages,” Fawzy further explains.

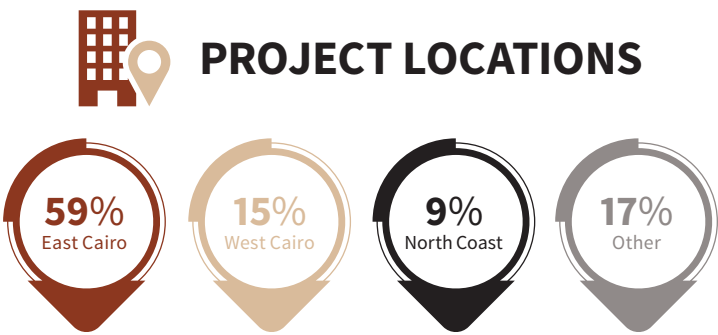
OFFERINGS

According to Invest-Gate’s “The Purchasing Power Report 2019,” around 90% of merely 68 developers with private residential projects in Egypt provide apartments, while the remaining chunk builds villas.



Source: Invest-Gate R&A

Most of the examined developments - or 59% - are situated in east Cairo, while west Cairo and the North Coast make up 15% and 9% of the total offerings, respectively.



Source: Invest-Gate R&A

On the other end of the spectrum, more developers were bound to diversify their project portfolios by establishing various integrated mixed-use developments in 2019. Better yet, they are expanding into areas outside the capital to meet the national urban development goals, particularly penetrating different rural and urban fringe areas such as Upper Egypt as well as some major holiday zones. This was aimed at setting up first-home destinations and spurring demand for these spots, while broadening the scope of investments.

For example, Egypt’s Mabany Idris has earlier announced plans to build its first-ever integrated compound in New Assiut, with investments amounted to EGP 1.25 bn. Likewise, Porto Assiut Tourism Development had acquired a plot in Assiut to implement an EGP 3 bn residential project. Similarly, Union Pharmacist Company for Medical Services and Investment (UPMS) has previously revealed the construction of an 840-acre mixed-use development in New Minya. In this spirit, Iwan Developments unveiled its first Ain Sokhna project, dubbed “Majada,” endeavoring to introduce a luxury red sea community that incorporates a year-round assortment of services and facilities.

In the same vein, a couple of property companies have made debut with an array of all-year-round residential projects in second-home destinations. Ajna Developments, for instance, has gained a foothold in the Egyptian real estate sector with its flagship development in Ain Sokhna, called “Carnelia,” aiming to pump investments worth EGP 3 bn for its implementation. Besides, GV Developments stepped into the market with its EGP 9 bn mixed-use project on the North Coast - or “White Sand,” representing a quantum leap in modern tourism industries.

Speaking of second homes, the current market dynamics, including lack of affordable houses and the augmented focus on the niche segment, have created an almost classical seven-year itch in the vacation-house business.

In 2019, several professionals formerly told Invest-Gate, namely Property Finder’s Hammad, that real estate developers are facing numerous hindrances to either ramp up new constructions or fulfill under-development holiday homes, bearing high land prices, labor barriers, material costs, and the onerous procedures to obtain building permits. All this puts pressure on profit margins, thereby when contractors verge to launch another round of projects, they tend to be more on the luxury end.

Therefore, it has been identified that the Egyptian low-to-middle classes, which are already enduring high costs of living, are ostensibly shelved on the sidelines when it comes to homeownership in coastal towns, resting with inadequate on-budget options. So, high-end developers need to bust out the paint and spruce up their curb appeal to attract further middle-income buyers, and thus, seal a greater number of deals by extending more feasible housing products in coastal areas for this specific income bracket, which represents the majority of the local population.

PERFORMANCE

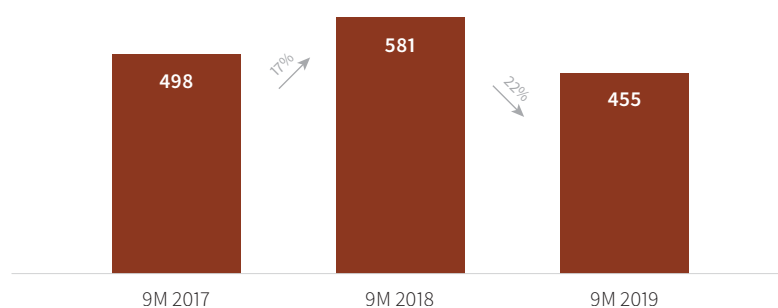
In general, as more customers substantially eye real estate investment to hedge against the ever-increasing inflation rates, strong sales activity through 2017 and 2018 has kept the sector healthy and on track, backed by the solid rises in revenues and net profits of mega Egyptian property developers.

However, the prevailing situation poses some troublesome paradoxes as the overall market performance of the top ten listed developers slowed down by 22% year-over-year (YoY) in the first nine months of the present fiscal year. More profoundly, it retreated below the EGP 498 mn starting point recorded two years ago to hit EGP 455 mn in the January-September period of 2019, according to the net profit index of the top ten Egyptian Exchange (EGX)-listed real estate companies.

Sixth of October Development and Investment Company (SODIC), for instance, partially attributed its shortcoming to “the lower operating profitability,” alongside an increase in interest expense due to higher credit utilization, according to the company’s recent financial statements.

Mena Group’s founder expects tight liquidity conditions to arise further among private property developers between 2022 and 2023, yet he argues that financially strong companies such as Talaat Moustafa Group (TMG) Holding, which posted an 18% rise YoY in the first nine months of 2019, will be able to put up with such stumbling blocks, on the back of having a diverse range of income-generating assets.

AVERAGE NET PROFIT (EGP MN)



DEMAND & SUPPLY EQUILIBRIUM

Looking at the current scenario, it seems like improving Egypt’s housing performance goes beyond pumping more investments due to a wide range of potential deadweight losses.

Up until 2019, the real estate market has been divided into two given following the EGP devaluation, the first of which is that there is an increased supply of properties for the niche segment, which is nearing saturation, according to Invest-Gate R&A’s latest study. Secondly, there is a noticeable growing demand among middle-to-low income classes, which are slightly catered to, it added.

All in all, such imbalance reflects a possible oversupply among class A in the short run, which requires all market players to roll out new tactics for a much healthier Egyptian housing sector. Abdel-Fattah sees that property companies should work on two key axes: Product types and pricing strategies.

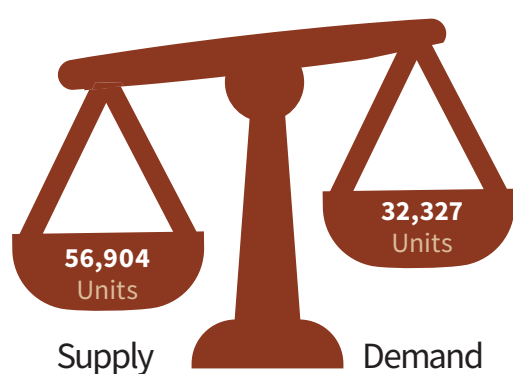
“Developers should be creative in tailoring their real estate products to be able to cater to all income levels at once. For example, build-to-rent projects are one of the lucrative pursuits to provide multi-class offerings, while creating a steady income stream,” he elaborates.

On the other hand, in terms of costs, since real estate firms are always rushing to get the word out and entice sales, they shall also come up with new creative techniques to make their developments pop and wow the clients, apart from the various payment methods offered by most companies nowadays.

For example, last April, TMG Holding, GB Capital, and EFG Hermes have joined forces to form a mortgage finance joint venture (JV) with a paid capital of EGP 150 mn, which is set to hike gradually to register EGP 250 mn. The new business aspires to offer housing units with long-term and competitive financing solutions, which would eventually raise affordability and better align the local market’s real estate supply.

Indeed, many possible and useful interventions are necessary to consistently reach a successful relationship between both poles of the housing market. Having said that, a boost in the dynamism, competition, and pluralism of property developers is crucial at this point to merely restore the market equilibrium.

DEMAND VS. SUPPLY (PRIVATE SECTOR)



Oversupply by
24,577 units

Source: Invest-Gate R&A

This led to a widening gap between the market’s supply and demand, which is estimated at 24,577 units across a total of 68 private projects, Invest-Gate R&A’s purchasing power report further highlighted.



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REAL ESTATE PORTFOLIO DIVERSIFIED WAYS & BENEFITS

BY JULIAN NABIL

Even during economic downturns, the real estate sector has proven to be one of the safest bets, providing ballast against uncertain conditions. However, it is those developers with diversified portfolios of uncorrelated assets, who have been able to make it through! Diversified business in the real estate sector has been one primary practice that helps investors avoid relying on a single investment, and rather spread capital across a wider spectrum for balancing all returns and risks alike, and thus hedge against market volatility.

In Egypt, the bigger chunk of developers has been mainly focusing on one field - the residential sector. Antoine El Khoury, managing director of Tameer, notes that investments were more geographically concentrated in just a few places (Greater Cairo - Red Sea - North Coast), specifically for building first and second homes that notably target the niche segment. However, with the rising concerns over a slowdown in the residential sector, which is dragged down by the stifled demand amid the weakened purchasing power, the absolute investment mantra became: "One should never put all eggs in one basket." Accordingly, an abundance of investors started to react.

Having said that, Invest-Gate walks through the possible ways of diversification, which would essentially help investors eschew "success dependency on a single business," while looking for the ultimate real estate portfolio excelling in that sense in today's Egyptian market. We also explore the hurdles stumbling developers to adopt this strategic business model in the North African country.

PERFECT DIVERSIFIED PORTFOLIO

The best shot is to diversify across different asset classes to be able to endure the financial highs and lows of each individual investment. However, the real question that initially arises for many real estate investors or seasoned veterans is what a diversified investment portfolio should include.

El Khoury believes that there is no perfect example or fixed formula of a diversified portfolio, yet he sees the model that can be successfully and swiftly implemented in Egypt within the coming ten to 15 years is the professionally asset-managed **“mixed-use” type offered for rent.**

He elaborates that this paradigm of portfolio diversification should be structured under stock-listed companies such as real estate investment trusts (REITs), through which the value of assets is then transformed into liquidity securities.

According to the National Association of Real Estate Investment Trusts (Nareit), REITs usually include different real estate products, including residential, commercial, hospitality, medical, among other types of revenue-generating equities. For the know-how, investors in these funds gain income through general price appreciation or tenancies, pro rata to their shareholdings each month and sometimes quarterly.

This model is deemed to be appealing for investors and developers alike, whereby meeting their real needs. Tameer’s managing director attributes this to the fact that funds offer regular income streams, coming in the form of dividends and long-term capital appreciation, and, needless to say, a proper diversification.

Non-residential real estate is another path developers can fold into their portfolio. Tatweer Misr’s President and CEO Ahmed Shalaby, as well as El Khoury, agree that such component is another great aspect for development. In effect, many companies, including theirs, recently started to tap into it.

Despite operating in the market for long enough, many developers have recently begun to shift away from the residential sector and more toward

that of commercial. For example, although Tameer exists in the market since 1954, it has been specializing in housing developments only. But the managing director underlines that, through its subsidiaries, the company plans to invest in non-residential projects in the near future.

Additionally, Tatweer Misr started to adopt the mixed-use concept on a smaller scale within the same compound through its 325-acre east Cairo project, Bloomfields, in Mostakbal City. Apart from the residential component, the compound also comprises a global university campus, an entrepreneurship and innovation hub, dubbed “GEN@BLOOMFIELDS,” and the Global K-12 International Schools. Moreover, the company’s other flagship development in Ain Sokhna, IL Monte Galala, also involves a mixed formula of residential properties, hotels, retail outlets, and educational ventures.

There are abundant benefits of diversifying with non-residential properties, varying from increasing monetary assets to getting a leg up in the competition as well as earning a relatively steady and reliable stream of monthly income. Besides, investors get to enjoy financial breaks by having tenants pay out taxes, property insurance, and maintenance costs, JD Esajian, project manager at CT Homes, said in an article titled, “Three Ways to Diversify Your Real Estate Investment Portfolio.”

All in all, Iwan Developments CEO Waleed Mokhtar emphasizes, “Now, a strong driver and criteria for any client to make the purchase decision is to live or work in a compound that is mixed-use and privileges all facilities.”

On another note, experts see that **geography** is a key factor to determine the successfulness of the diversified portfolio. Mokhtar sees, “It is all about seeking opportunities and catering to locations that are in need of a specific product, whether it is a mall, a medical center, or a school.”

He adds that diversification should not necessarily be within a single community, but rather across a much broader sphere nationwide as specific areas can be favorable for some fields more than others.

MANIFOLD ADVANTAGES

The distribution of capital and diversification across different areas with various types of real estate properties might help any investor build a portfolio of uncorrelated assets, and this comes with multiple benefits.

EASY MANEUVER ACROSS BUSINESSES

Tameer’s El Khoury notes that diversification allows developers, who are continuously looking for good shots, to move out of saturated areas and get into other wider, less congested, and sometimes underpenetrated markets. “Furthermore, with a diversified portfolio, any investor can easily maneuver across projects ... If one investment performs poorly, then the developer will have other ones to fall back on,” he explains.

This contributes to minimizing the impact of defective assets on the overall real estate investment portfolio, including the ability to counterbalance the loss that might be associated with one type of property investment, according to CT Homes’ Esajian.

SUSTAINABLE PERFORMANCE

With diversification, there is also less likelihood of one investment skewing the overall returns of the entire portfolio. Having multiple assets, especially

those with flexible and reliable rental fees, means non-stop income generation and recurring revenues, Mokhtar and Shalaby agree.

“In turn, this gives developers the feasibility to remain more consistent and sustainable over the medium- to longer-term, even at times of overall economic stagnation,” Tatweer Misr’s CEO highlights.

Traditionally, property companies, with a well-managed stock of operating assets, are the stronger and successful ones that ultimately manage to develop and maintain their performance. Over and above, a well-diversified portfolio allows all its real estate components to support and complement one another, and thus, enables the developer to be more competitive and lucrative for the targeted clientele by providing comprehensive product offerings, Shalaby elaborates.

CAPITAL PRESERVATION

Another key benefit of diversification is the preservation of capital over a long term horizon by limiting both volatility and overall portfolio risk. “This reduces the odds of loss and capital erosion due to poor investments,” Edward Canty, a financial planner at Canty Financial Management, said in an article titled “Seven Ways to Diversify Your Real Estate Investments.”

SOME BUMPS ON THE ROAD

Although the pluses of diversification are numerous, whereby helping to neutralize the negative performance of some investments by other ones, there are also many drawbacks involved.

LONG-TERM VS. EASY MONEY

It has been the mainstream for real estate developers to tap into the residential sector only, instead of diversifying across other fields for many reasons revolving around being an easy investment. Shalaby attributes this everlasting interest in the residential sector to the higher cash flow on shorter terms, compared to other sectors that generate revenues over a longer period of time.

However, the slowdown in purchasing power has changed the residential real estate investment game. El Khoury explains that developers of housing projects have been compelled to play the role of banks or mortgage companies by funding their customers through extended payment plans to facilitate real estate exposure.

As a consequence, the developers' profitability and liquidity ratios are ought to be negatively impacted, which should originally be pumped into new investments, he says, adding that this led to a shift in the investor's mindset toward diversification to generate higher yields.

FINANCING DILEMMA

One other major challenge for diversification in the property industry is that it demands a huge sum of investments, therefore developers usually opt to solely specialize in the residential sector. El Khoury justifies that most real estate projects are financed during the implementation stages through off-plan sales, disregarding the need for loans.

On the contrary, commercial properties, including malls or office buildings, require large upfront investments and strong financial structures, according to Shalaby. Thus, if developers want to establish income-producing real estate, they need external funds to support all construction works, whether through partnerships with other investors, banks, or self-financing. They then wait until the project starts generating revenues in the long run, according to El Khoury and Mokhtar.

Although there is also an existing funding gap in today's Egyptian market, which may stand as an obstacle to portfolio diversification, Tameer's managing director believes the way out is banks offering lower interest rates and easing restrictions on lending so developers can establish different kinds of projects, generate revenues, and repay debts.

For his part, Tatweer Misr's CEO sees that money chases ideal opportunities. Entering into partnerships with foreign and Arab investors - with massive appetite - can be another solution to lift the financial burdens off developers' shoulders.

In addition, this contributes to exporting real estate, which does not only include selling properties abroad but also bringing in foreign investors to pump cash into the local property market, he elucidates.

STRATEGIC DEMAND-SUPPLY MAP

Another hurdle, in Mokhtar's point of view, is that there is no clear strategic demand-supply map or precise figures to evaluate the real need nationwide, driving developers to often establish certain types of projects in a highly competitive area.

Accordingly, Iwan Developments' CEO suggests that each developer should conduct proper market research to find out all potential risks and opportunities, while standing ahead of the competition.

SOME INDUSTRIES DIFFICULT TO PENETRATE

On another note, diversification across some fields such as the healthcare sector can be challenging to opt for, as it may lack the ultimate model of specialized industry-related management companies. Most investors, including Tatweer Misr, have the mentality of "we build, we invest, but we do not operate."

Shalaby highlights, "As a developer, we still did not have the perfect model for private healthcare operations to manage our hospitals." However, he sees, "Maybe we need to be more open to international models of healthcare providers. At the moment, the simplest one we can develop is that of clinics and medical labs."

Go
Diversified
But...

There are a number of gains and ways to invest in diversified assets, yet these come with advantages and pitfalls to be put into consideration for a healthy and balanced real estate portfolio.

There is no way set in stone to go about diversification, but any investor is advised to fully understand the ins and outs of new markets, locations, and model management to determine the possibility of its application. Each of the diversified investments will draw a new challenge in terms of learning, so developers must take an active role in their investment by analyzing and conducting their in-depth research to minimize the risks.

Experts also recommend that investors should have a clear strategy in place before acquiring investment assets, in a bid to have a flexible portfolio that can be altered and improved at any time to meet the short- and long-term financial goals.

Most importantly, investors must call to mind that a diversified portfolio does not mean more assets, but instead more differentiated property types!

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QUEST FOR GOVERNMENT HITS & MISSES IN 2019

BY **SARA MOHAMED**

Will 2019 be remembered as the time when the Egyptian government rebounded after it took the plunge and ringed in some bold Big Bang-like reforms over the past period? Or was it merely a minor upsurge or even a backfire that was hardly enough to sustain the numerous private and public realty players, foreign contributors, and institutional investors trying to break the ice?

By venturing to pass timely judgment on the emerging policies and structures, Invest-Gate undertakes a pulse check on the state's hits and misses on the real estate front, along with the sub-sectors, during the current year.

And warning, Christmas spoilers ahead. We will configure the government's commitment to the latest resolutions packet and identify the challenges ahead to take the coming rides by the horns.

CHECKMATE

From vowing to double the current urban area to touch 14%, as part of the National Strategic Plan for Urban Development 2052, all the way to adopting export-oriented and foreign direct investment (FDI) -driven growth schemes, the local authorities made an earnest attempt at genuine progress on goal achievement, notwithstanding the ebbs and flows on-board.

Egypt's Ministry of Housing and the private sector
pump investments totaled at nearly

EGP **200** bn

into the local construction and real estate markets annually, thereby significantly contributing to economic development.

Source: Ministry of Housing

INFRASTRUCTURE BOOST

High on the well-crafted list of deeds is infrastructure development and the diverse range of project launchings taking place this year.

As a matter of fact, in 2014, President Abdel-Fattah El-Sisi's regime embarked on a task force - or the "National Roads Project" - to draw up plans for uplifting Egypt's current 24,000-kilometer road network, according to figures released by the transport ministry. Statistically, roughly 4,500 out of the megaproject's total 7,000 kilometers have been implemented so far, at a total cost of EGP 75 bn, Minister of Transport Kamel El Wazir assented in mid-October.

Not only that but, effectively, the country set a new Guinness World Record when the Egyptian President inaugurated the world's widest cable-stayed bridge in early June, "Rod El Farag Axis Bridge," measuring 67.36 meters wide. Also known as Tahya Misr Bridge, the masterwork's designs and

construction had been carried out by Arab Contractors, with investments hitting around EGP 170 bn, purposely for easing traffic congestion in Cairo, according to a previous presidential statement.

Progress coming under the national program did not just halt there, as El-Sisi also opened a total of 12 major roads in May, connecting Sinai to the Nile Delta, a step coming under the country's pursued Sinai Peninsula development project. This includes four tunnels in North Ismailia and Port Said, in addition to three floating bridges, two of which are in Sarabium Zone in Ismailia and another one, dubbed "Martyr Ahmed Omar Shabrawi Bridge," located in Suez Governorate.

Nonetheless, special focus was also put on other means of commutation such as the underground transit system. By late October, Cairo's Heliopolis Metro Station, the largest of its kind in the Middle East, opened its doors to the public as part of the state's plans to renovate and expand the capital's fastest means of transportation.

POLICY RESPONSE: MASSIVE AND MULTIFACETED

Another round of applause should be given to the fine-tuned policy responses to local and foreign investors and developers. For instance, after giving the go-ahead for **the long-awaited New Investment Law**, promulgated by Law No. 72 of 2017, Prime Minister Mostafa Madbouly signed off on amendments to the act's executive regulations in mid-November, in a bid to further modernize and relax barriers to international inflows.

Aiming to chiefly address the on-ground predicaments and obstacles, the new game-changing provisions require public and private entities to submit quarterly reports to the General Authority for Freezones and Investment (GAFI) with their data on direct and indirect foreign investment assets, as part of ongoing efforts to enhance fine-grained governance and transparency.

Envisages to improving and passing an up-to-date view of the investment climate include the unrolling of **phase II of Egypt's investment map**, which compiles an interactive directory of 2,000 promising opportunities for investors cross-country, adding up to the existing 10,000 grabs of the first edition, Minister of Investment and International Cooperation Sahar Nasr uncovered in an official ceremony held in July.

Engraving more footprints toward technological innovation, while bidding to turn heads of ultra-high-net-worth investors, El-Sisi has mandated the introduction of **an online unified industrial investment map** by September, in the endeavors to promote the sector as one of the key pillars of the national economy.

Almost 2,050 industry-related opportunities are listed on the new portal, 1,491 of which are situated in five new cities, namely 15th of May City, New Tiba, Sadat City, and 10th of Ramadan City, spanning across 4.75 mn square meters, Nasser Fawzy, director of the National Center for Planning State Land Use, acknowledged in early November.

Above all, investors assumed additional exposure to the diverse range of opportunities in the course of this year, especially when the state earmarked the establishment of **new investor service centers** on top of its agenda, namely in Port Said and Minya, with more in the pipeline across other cities.

All year long, the local jurisdictions have been exerting extensive efforts toward innovation and digitization ... Below are just a little more of them:

- **Government Portal for Rentals:** The interior ministry now offers an online service that allows lessors to register properties they rent out nationwide, in an aim to lead the country toward a digital transformation and a cashless economy

- **Automation of Real Estate Taxes:** The finance and military production ministries have inked a cooperation deal to automate Egypt's property taxes, as part of the state's plans for financial inclusion and seamless administration

- **Caravans for Property Taxpayers in Seasonal Spots:** Ministry of Finance, jointly with the Arab Organization for Industrialization, released new outlets, or "Caravans," through which taxpayers residing in seasonal areas can pay their real estate taxes

- **Online Directory of Local and Foreign Investments:** Ministry of Investment and Intentional Cooperation has kicked off a new website to establish an integrative database for direct and indirect foreign investments

- **E-Taxation System:** The finance ministry unveiled a comprehensive national project for the automation and digitization of tax administration and procedures, coming jointly with IBM, SAP, Ernst & Young (EY), among other local and foreign firms

The jackpot hit was when the New Urban Communities Authority (NUCA) ratified **the direct land allocation system** this year, aimed at streamlining purchase procedures and boosting investment inflows in the newly-introduced cities.

For the changeover, the authority complemented the go-forward plan by presenting **the largest land offerings** in 17 new cities, be it residential, industrial, or commercial, putting forth 2,082 plots as of mid-September.

In effect, 1,250 land acquisition requests have been received, 112 of which have been approved to date, with parcels allocated accordingly, Assistant Housing Minister for NUCA Waleed Abbas announced during the fourth edition of Al Mal GTM's "The Real Estate Debate," held on November 3. Furthermore, he referred to the growing tendency toward investing in Upper Egypt, with more contenders favoring Minya, Assiut, Sohag, and Aswan.

One of the most important findings in successful decision-making is the supplementary initiatives, undertaken by the housing ministry and its affiliated bodies, to lend a helping hand to potential and existing developers. For example, Madbouly issued the executive regulations for the **"reconciliation in building violations" law** to crack the whip against errant builders starting last July.

MORTGAGES AND SOCIAL HOUSING FORGE AHEAD

Low- and middle-income households have also gained attention from the government's end, considering that the Central Bank of Egypt (CBE) announced the extension of EGP 50 bn to reintroduce subsidized mortgages for middle-class home buyers in early June. Two quarters later, additional EGP 235 mn have been provided to offering subsidized loans, complementing the state's mortgage finance initiative that was initially launched in 2014, CEO of Mortgage Finance Fund (MFF) Mai Abdel Hamid officially stated back then.

Beyond that, Egyptian mortgage companies have lent EGP 1.74 bn during the first eight months of 2019, up 36.8% from the year-ago period, the Financial Regulatory Authority (FRA) indicated in an official statement in late October. It pointed out that almost 70.6% have been allotted to those earning more than EGP 3,500 per month.

The state's ambitious plan to maintain affordability to those falling under the upper-class bracket also bears the social housing program, which extended homes to 275,000 families, in collaboration with 29 banks and mortgage companies, at a total financing value of EGP 27 bn and a subsidized cost of EGP 4.3 bn, Abdel Hamid recently emphasized during the latest African Union for Housing Finance (AUHF) Conference on November 4.

REAL ESTATE EXPORTS FLY HIGHER

Before going in quest of the state's slips in 2019, the impressive performance in terms of exporting real estate abroad shall be lauded, especially after the North African country will reportedly take part in **Dubai's Expo 2020** with an expansive 3,000-square-meter Egyptian pavilion, according to a recent cabinet statement.

Egypt is now an old-timer when it comes to participating in foreign exhibitions and reinforcing its openness to the world as a global investment hub:



FRANCE'S MIPIM

March 12 - 15

The public and private sectors rolled up their sleeves and partook as an exhibition curator in the 30th edition of the world's leading property show, convened in Cannes, France. After showcasing an array of megaprojects at the "Opportunity Egypt" pavilion, the country came to a glorious foreign consensus that further eased the extension of its international reach. Better yet, Egypt promises to participate in the upcoming round.

CHICAGO'S COUNCIL ON TALL BUILDINGS AND URBAN HABITAT (CTBUH) CONFERENCE

October 23 - November 2

Indeed, MIPIM partially contributed to the pleasing visit to Chicago when Egypt marked the first-ever participation in the 50th CTBUH conference. The country got a membership approval to the council and an agreement to host the show's 2021 edition. Additionally, both parties arranged a visit to Egypt to examine the various aspects of collaboration next February.



DUBAI'S HAZI MISR (THIS IS EGYPT)

November 7 - 9

For 11 years, Egypt's property developers have been touching down in the UAE and KSA to convene the most successful Egyptian real estate exhibition in the GCC nation. The 2019 edition brought together the top local real estate developers and expats, not to mention Arabs and foreign investors from all over the Middle East.

INTERNATIONAL PROPERTY SHOW (IPS) RIYADH

December 12 - 14

The KSA-based three-day event targets taking local private and public firms on a roadshow to display their luxury real estate products to the targeted clientele across the globe. IPS will be held under the auspices of Ministry of Housing, Utilities, and Urban Communities, with City Edge Developments - the national developer of Egypt - named the strategic sponsor.



This end result vigorously came into action after the trade ministry activated the Export Council of Real Estate, setting specific standards for each member as well as reinforcing governance and regulation to property development. It is chaired by Rooya Group's CEO Hisham Shoukri, whereas board members include Mena Group Founder Fathallah Fawzy, Managing Director and CEO of Tatweer Misr Ahmed Shalaby, alongside CEO of City Edge Developments Amr El Kady and CEO of Iwan Developments Waleed Mokhtar.

Nowadays, Egypt is not just flying overseas to flaunt its development projects abroad, thanks to the Egyptian Businessmen's Association (EBA) for organizing **numerous promotional tours** for foreign investors to explore the cross-country opportunities. After setting up a fruitful 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, EBA is trying to reach real estate organizations from the UAE and Kuwait to

arrange trips to probe the land of the Pharaohs, Mena Group's Fawzy told Invest-Gate back in September.

All the above-mentioned considerations cannot just be the ultimate remedy for phenomenal results. But, at least it is giving an uplift to non-Egyptian transfers for housing purchases in the country, **breaking the records and logging USD 725.7 mn (EGP 11.7 bn) during the first nine months of FY 2018/19.**

BAD BISHOPS

Setting complex and challenging goals is like making a New Year's resolution to be on the dot; there are always shortcomings and break-offs to attain these touchdowns. Therefore, examining the government's unfinished agenda of 2019 is essential to beat all incoming pawn storms:

PRIVATE SECTOR DILEMMA

It is generally known that the public and private sectors are mutually reinforcing and should go hand-in-hand, and thus excel in addressing their common causes. Yet, for the Egyptian real estate sector, procedures of **public-private partnerships (PPPs)** are still time-consuming, hence warding off a few developers from resorting to such a widely-effective method, according to Fawzy.

Although the finance ministry has recently finalized the proposed amendments to a few provisions of the PPP act, attempting to streamline the entire process and speed up issuing tenders for these projects, the changes are still ineffective for being under a legal review.

Speaking of PPPs, the Real Estate Development Chamber at the Federation of Egyptian Industries (FEI) is still considering the mechanism of **private real estate companies' involvement** in the implementation of social housing projects, which are solely built by the public sector. So far, the Egyptian housing ministry eyes the extension of at least 75 acres for each potential property developer seeking to be part of the program, exclusively to those with advanced expertise, financial solvency, and accumulation control, FEI announced in October.

MINIATURE REAL ESTATE FUNDS

To reach the summit in today's dynamic market, external contributions are necessary to create the finest inventory, with a sound return on investment (ROI). Similarly, the real estate industry calls for financing to make headway in terms of development and expansion, albeit Egypt's still lags behind other countries on this note, experts and practitioners agree.

Despite the limited reliable data on real estate funds in the North African Country, the fact that there is a **single real estate investment trust (REIT)**, subscribed but was supposed to run by no later than last March, is in itself a worrying sign.

Nevertheless, the regulations and laws governing the overall funding system are still defective and unavailing. The cabinet recently amended the executive regulations of "Capital Markets Act," but it modified the ceiling to only permit REITs with a capital of EGP 500 mn to invest up to 50% of funds into a single property project, whereas ones below are bound to a more diverse portfolio, according to the FRA's official website.

This might be an attempt to facilitate and reduce burdens halting real estate investment, while also being among the many constrictions that the state has been putting forth following the unstable economic conditions, including gradually increasing interest rates back in 2017.

But, with economic growth on track, as inflation rates hit a 14-year low of 3.1% in October, driving the CBE to make the third straight cut to key rates by 1% around a month later, property experts as well as financial and banking professionals are comprehending the necessity of real estate funds at

this point. In any case, they are demanding the introduction of new ways to leverage real estate funds.

"The application of new funding concepts like green-field investments in real estate, in addition to the deployment of consolidation through the signing of more merging and acquisition deals, is equally important for real estate development," CEO of Retail Banking at the Commercial International Bank (CIB) Ahmed Issa asserted during Invest-Gate's fourth roundtable in October, headlined "Means of Attracting Future Real Estate Investments."

HALF-DONE LAWS

There are no surprises that some draft laws are still in the making as New Year's edges closer, even if the effectiveness - especially in terms of proclamations - improved dramatically compared to last year. Coming soon for long is the draft bill for regulating property development, which will compel the creation of the **"Egyptian Federation for Real Estate Developers"** as well as an insurance fund to hedge against sector-related risks.

Under the new law, different licensing requirements would be introduced, whereby developers are subject to fines not more than EGP 1 mn in case of infringements. The insurance fund, meanwhile, will safeguard consumers against the developers' failure to deliver units in due course, among other risks. Additionally, the sector-based federation will have regulatory power over real estate practice and will have licensing authority, wherein monitoring sales activities and transactions, as well as, market conditions, while making adjustments accordingly.

Although in February, Egypt's Prime Minister compelled its swift finalization within two months, the bill is idle up until now, in spite of being vital to attain the objectives of the strategic real estate development plan. In fact, during Invest-Gate's latest roundtable in October, Vice-President of Coldwell Banker and Coldwell Banker New Homes Mohamed Banany called for the rapid establishment of a regulatory body, similar to Dubai's Real Estate Regulatory Agency (RERA), to be in charge of imposing price ceilings, setting qualification requirements for property developers, issuing licenses for brokers, among other duties.

With no practical application of such a statutory instrument, experts are in awe that amid



the various payment facilities and flexible plans offered by real estate companies to lure as many purchasers as possible, including zero down payments, alongside the state-backed mortgages, a liquidity stress scenario might come into play between 2022 and 2023.

“In that case, small-sized property developers would potentially fail to deliver the planned products when putting up with deficits, consequently having a negative imprint on the overall real estate cycle. The government’s comeback to such circumstances is not foreseen, but some challenging episodes are guaranteed,” Mena Group’s Fawzy tells Invest-Gate.

On a positive note, large and financially strong companies such as Talaat Moustafa Group (TMG) Holding will suffer marginally lower losses, the market expert affirms.

Another major decree in the cap is the registration of **the Egyptian Association for Realtors**, which is set to serve as the voice of local brokers and regulate the overall system. Back in April, Hashim El Kady, a member of the union, said in an official statement that the process will be completed in a month. With no action taken to date, brokers are still unregulated, thereby real estate prices are volatile, even if offered in the same areas, and investors are deterred to buy properties.

On another note, **property and land registration** is one of the core issues hindering foreign investors and local developers for long enough, particularly because it jeopardizes purchasers’ ownership rights, and thus averts potential investments in Egypt.

In a recent amendment, a reduced registration fee has been introduced to prompt homeowners to register their properties; however, procedures are still cumbersome. Even more worrisome is the fact that around 80-90% of units in new cities are not registered, with owners relying on power-of-attorney documents and preliminary contracts for buying and selling, according to estimates from the government and experts.

The government promises a change and plans to propose **a law for the registration of ready phases** of all new projects to ease the whole process, NUCA’s Deputy Chairman Abdulmutallab Emara said during The Real Estate Debate by Al Mal GTM in November.

SUCCESSFULNESS OF NEW CITIES

When the government plunged into the construction of 20 new fourth-generation cities, stretching over 580,000 acres to accommodate 30 mn people, it pledged to hand over the first phase of 14 areas no later than next June, Deputy Minister of Housing, Utilities, and Urban Communities for National Projects Khaled Abbas previously revealed to Invest-Gate.

Conversely, public housing deliveries mostly do not live up to the expectations. Following is the progress made in some of the key new cities on the social housing front thus far, according to NUCA:

- **The New Administrative Capital (NAC):** With phase I generally 75% finalized, 3,104 out of 24,130 social housing units are delivered
- **New Alamein:** 1,080 out of 1,920 distinguished units are handed over. Also, 4,096 units are underway in Sakan Misr middle-income project, reaching a completion rate of 15%
- **New Mansoura:** Dar Misr, another middle-income housing project, will comprise 11,000 apartments that are 32% implemented
- **New Damietta:** 16,418 out the total 69,776 national and social housing units are successfully built
- **New Akhmim:** 800 out of the total 1,362 social housing units are presented
- **New Aswan:** 1,506 out of the total 3,951 social housing units are handed over
- **New Assiut:** A total of 71,072 national and social housing units are planned, of which 11,280 and 648 are completed and underway, respectively
- **New Fayoum:** 120 out of the total 1,656 social housing units are established
- **New Qena:** A total of 6,068 social housing units are planned, of which 3,744 and 864 are done and under-development, respectively

Indeed, this does not mean that the state is entirely behind schedule, since social housing projects in **New Tiba, East Port Said, New Sohag, and New Beni Suef** are almost 100% finished, consisting of 6,912, 4,340, 7,656, and 5,304 apartments, separately.

On the flipside, the attractiveness of new cities are still in doubt. Tatweer Misr’s President and CEO Ahmed Shalaby has earlier announced that new cities have so far managed to lure 3-27% out of the total targeted population. In the same vein, Fawzy stresses that NAC is getting the largest slice of the pie for the wider range of land offerings and investment opportunities found there versus other newly-introduced areas. Currently, around 65 private real estate companies are operating in the new capital against five developers in Assiut, he further adds, noting that new firms will sign up in other areas soon.



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ARTIFICIAL INTELLIGENCE MARKS REVOLUTIONARY TREND IN PROPERTY BUSINESS

BY NOURAN MEDHAT

Although artificial intelligence (AI) technologies have penetrated nearly all business sectors worldwide, but it is still rather a puzzling concept for real estate players to wrap their minds around as the industry is thought to depend more on interpersonal interaction. Inevitably, this fine-tuned tactic is capable of refining and managing property developers' day-to-day operations and activities, promising real game-changing benefits.

Generally, AI software brings the idea of the error-free world by performing human-like tasks with greater efficiency. This flexible system can continuously self-optimize performance across a broader scope by easily adapting to and learning from new conditions and data patterns.

With this in mind, Invest-Gate explores global cases of AI applications, particularly in the property industry, determining the possible hands-on merits and pitfalls of such technologies when implemented to generate well-crafted business solutions.

GLOBAL AI APPLICATION

In the real estate world, using algorithms and other complex statistical models, AI technologies process information from different sources, analyze the material instantly, and act on the insights derived from this data, resulting in definite conclusions and sound property-related decisions.

Colloquially, countless global property agents and practitioners are starting to leverage housing technology innovation by adopting "PropTech" solutions, which are powered by AI. In fact, this real estate-focused technology sees billions of dollars being pumped into it annually, in a bid to disrupt the overall sector and bring it to a modern era of investment, development, management, and lifestyle, according to US-based HousingWire Magazine.

Case in point: **Zillow**, an American online real estate database portal, earlier rolled out "Zillow Zestimate," standing as one of the numerous international companies to utilize an automated valuation model (AVM) for capturing the contact information of potential home dealers. Accordingly, seller leads are computed, with an error rate of no more than 2%, based on its official website.

Another positive role model is **Localize**, which is the world's first real estate marketplace to analyze all homes in New York City by extracting insights and bottom lines from oodles of databases, even studying the seasonal-light variations, the efficiency of snow plowing, and more.

"Localize uses machine learning and AI the way Netflix and Amazon do - tailoring recommendations based on personal preferences ... We have also developed an AI-based Insights Engine. This breakthrough technology analyzes thousands of datasets, supported by the expertise of urban planners, and helps deliver an unprecedented analysis, describing present and future conditions one will experience over the months and years after moving in," read its webpage.

Other illustrative examples include **HouseCanary** - an American real estate data and analytics firm that accurately values properties and predicts where prices are going in the next three years. It uses an algorithm, "which draws on 40-year-housing-sales data from across the USA," according to its webpage.

AI adoption can be rewarding for institutional investors as well. "For example, in the case of mortgages, banks or credit companies can use this software to calculate risks and decide whether one client could pay out the asked loan or not. Using machine-learning methodologies, which excel at pattern recognition, such software processes and creates a more personalized customer experience," Aya Mamdouh, social-science-computing teaching assistant at Cairo University, tells Invest-Gate.

PLENTY OF PERKS

More broadly, AI solutions offer a diverse range of benefits to all businesses including real estate, covering a wide spectrum of functions.

MARKET RESEARCH

In terms of saving costs, AI-enabled tools can study and give research recommendations on the ideal location for investment. By processing big data, it can analyze, process, and predict trends and future directions of

the local property industry to determine the market dynamics and financial frictions, ArchiStar Academy stated in a recently-published article.

CUSTOMIZED CONTRACTS

Better yet, customized contracts can be smartly conducted for either customers, developers, or brokers through such tech tactics. Since language differences can influence international business negotiations, any AI-driven

software can be programed to provide machine-based translation, therefore precisely reading, understanding, and interpreting multilingual papers, according to **Leverton**, a global leader in data extraction and contract analytics for corporate and legal documents.

DATABASE CREATION

As Leverton noted, AI adoption can create a database and extract the most important pieces of information from deals, hence saving time, effort, and aggravation, while eliminating the need for the tedious and error-prone human element. It also creates a data structure, which enhances “competitive advantage, precise reporting, and accurate databases,” the US-based company says on its official website.

HOME SEARCH

Several platforms enable clients to scout for residences by location, space, price, number of bedrooms, among other characteristics, using search engines that filter preferences to easily get satisfactory units. For example, **Dotloop**, a subsidiary of Zillow, helps property agents to enhance clients’ home search, identify strong lead generation, refine transactions, and better predict market values, while empowering real estate professionals to get deals done in one place.

SMART FACILITY MANAGEMENT

AI software could also be linked with other technologies such as the Internet of Things (IoT) to come up with “integrated building strat-

egies.” In the foreseeable future, these smart tools would be used in devising intelligent facility management in the fields of energy, heating, fire systems, and security, coming to evolve the current building standards and brace sustainable strategies, according to PwC’s report, dubbed “Real Estate Asset Manager Benchmarking Study 2018.”

CUSTOMER SUPPORT

Additionally, AI can map customer preferences toward the various properties, hence target the right clientele for each category. Intelligent chatbots in real estate tap into the recorded traffic to collect and convert leads into clients.

Effectively, according to Chatbots Magazine’s “2018 State of Chatbots Report,” 69% of buyers prefer chatbots for quick communication with brands, therefore market players and developers are advised to embrace such technique to secure most possible sales.

USEFUL FOR ARCHITECTS AND CONTRACTORS

Over and above, AI tools can be deployed in the construction and architecture sectors, wherein a software could execute a design that makes the utmost use of a certain land or area.

Simultaneously, it reduces errors of data entry to any architectural blueprint, while validating all the given numbers and equations, according to ArchiStar Academy, an the Australian design institute.

ROADBLOCKS EN ROUTE

Despite the rewards, however, AI technologies can give a hard time to users for the many challenges coming along with it, which are best to be taken into consideration when eyeing this method.

At the outset, AI will neither materially impact future employment, responsibilities, nor the privacy of individuals until the next two to five years. Nonetheless, with AI applications, workforce responsible for manual work, specifically administrative ones, could see intermediate levels of automation in the long run, the UK-based professional services firm PwC previously pinpointed.

Similarly, ArchiStar Academy highlighted that there would be less physical tasks for agents, as all the necessary research such as the favorable locations will be carried out with relative ease. In short, this technology may result in job polarization, hence widen income and wealth disparities.

DEPARTURE POINT

With shiny new technology, it is easy to get caught up in the hype cycle and jump on the bandwagon. But, here is the million-dollar question: What will it take for AI systems to go mainstream?

Attila Toth, founder and CEO of zesty.ai, an American AI-enabled property analytics and risk platform, earlier told Disruptor Daily in September, “Traditional infrastructure industries, like real estate, have been shaped to a much lesser extent by high technology than other industries ... To embrace AI, property leaders need a mindset shift as to what the next source of disruptive innovation will be.”

Experts agree that developers and agents must be well-prepared to take in these all-in-one-click innovative tools to replace conventional means of business development. Once applied, services are foreseen to ameliorate,

Moreover, in spite of saving time and money, installing an AI-powered system is in itself costly. A complex software needs hardware that goes along with this complexity, not to mention the dire need for regular upgrades to keep pace with breakthroughs in that sense, the Australian design institute pointed out.

When it comes to creativity, AI can theoretically develop the ultimate design/template, yet it will lack the innovative/creative aspect. Besides, no business whatsoever should entirely trust an automated decision-making gadget; the human factor is critically needed at some point, the academy added.

In the same vein, when it comes to data security, bugs would disable the entire system. Therefore, Engel & Völkers, a German real estate brokerage firm, earlier reported that highly-qualified specialists are required to set up and operate any AI software, owing to the complexity of these technologies.

pushing forward toward efficient resource allocation (i.e. time, effort, and cost saving).

Jumping to the local scene, it seems like Egypt is stepping toward the adoption of AI technologies. In November, Prime Minister Mostafa Madbouly mandated the establishment of the “National Council of Artificial Intelligence,” attempting to guide and monitor the implementation of the national strategy of AI, according to a recent official statement.

As things stand, referring to all that has been illustrated, it is crystal clear that depending on AI-fueled technologies can achieve unique business advantages, particularly for the real estate sector. So, better be an early bird and seize the opportunity now!

WINDOWS ONTO REAL ESTATE FUNDS

Real estate funds help create growth in the property market by driving the “institutional” type of activity on the buy side, in addition to offering fund investors the opportunity to diversify their project portfolio and enter the commercial/retail market at a fraction of the whole asset ticket prices. This is essentially vital in the MENA region’s relatively new real estate markets, where the international activity is more recent and institutional presence is much less than in other mature zones.

Traditionally, property funds look for high-quality single-ownership buildings, with attractive occupational lease agreements already in place, on top of strong covenant tenants. This demand prompts the supply of such assets by developers, which helps raise the bar in providing sound long-term growth of the real estate market. Regionally speaking, we have seen the evolution of significant home-grown developers in both the private and public sectors in this space.

Therefore, as the availability of quality assets improves, so too do the expectations of sophisticated property owners and tenants about the broader real estate ecosystem, within which they are expected to participate. Invariably, matters concerning title ownership, planning, real estate finance, property management, legal recourse, landlords and tenants, transaction data, valuation, market transparency, as well as, the ability to liquidate assets and move funds out all need to be brought up to internationally accepted standards.

In general, such advances provide investors with comfort and help encourage their activity. Some examples of this in the MENA region are the introduction of freehold laws for non-nationals, the availability of property finance and well-organized government land departments, in addition to the provision of trustworthy titles and frameworks around strata ownership, as well as, the fine-tuned management of multi-occupied buildings.

There are different types of property funds in today’s dynamic market. Local funds and real estate investment trusts (REITs) initially started with quite broad multi-asset and geographical themes. However, these types of funds are now becoming more specialized and segmented in their focus by being solely allocated to finance individual asset classes such as the industrial, healthcare, educational, and hospitality sectors.

Simply put, investors in individual asset-specific REITs will surely secure the best upside opportunity and downside protection. Conversely, some may feel that a broader multi-asset REIT affords better cross-market protection in a challenging environment. But, its success is predicated on buying assets at the right time in the property cycle, with uplifts in both capital value and rental income, with strong occupancy levels foreseen for the subject assets post-acquisition. Besides, an

appetite from both institutional and retail customers for the shares traded on the stock market will need to be envisaged. In fact, investors will want to see gains on both fronts: The dividends received from REITs and their share price performance.

At the end of the day, successful REITs depend on the winning combination of boosting capital values and rental incomes from their component assets to bolster overall performance. Historically, the very first REITs in a country are generally broad and multi-asset in nature. As more entrants arrive, and the field becomes more crowded, a move to specialization with single-asset strategies is normally seen, yet still subject to the availability of suitable assets for acquisition.

In this context, what is the difference between REITs and other real estate funds? Briefly, REITs are generally more liquid, with shares being traded on local exchanges, whilst entry or exit is possible at any time. Besides, REITs are normally open-ended in the timelines.

One anomaly of REITs can be the share price performance; even trusts with solidly performing assets under their umbrella can witness price declines when shares are traded on the stock market. On a positive note, some retail customers find the ability to buy small amounts of REIT shares an attractive route to investment diversification, allowing them to enter the commercial market at a small percentage of the total asset prices, while building or reducing their exposure instantly.

On the contrary, real estate funds may have set time parameters for investors to allocate or leave, and are often close-ended, with an exit date for the fund to wrap up clearly set-out. Payment of dividends, fund management costs, and tax efficiencies (in various jurisdictions) are other possible differences between the two structures.

Generally speaking, almost all real estate sectors find such frameworks (i.e. the availability and governance of different real estate funds) beneficial to its internal market activity, especially if the local property market is in a maturing or recovery phase. In this case, the institutional activity and broader stimulus are to be encouraged. However, it is noteworthy to highlight that building a basket of appropriate properties may be a challenge in some geographies.



BY **DECLAN KING**

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VISION of GREATER CAIRO 2050

BACK TO GLORY DAYS...



Why Developing a Vision?

After being one of the top capitals in the Middle East, Cairo's ranking in a lot of aspects declined as a result of several problems such as:



1- High Density in the inner city



2- Traffic congestion



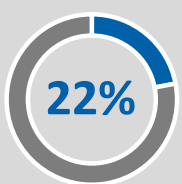
3- Environmental deterioration



4- Informal Development

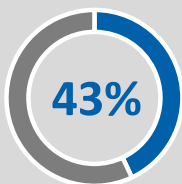
Problems & Challenges

Greater Cairo Region Encompasses:



of overall
population in Egypt

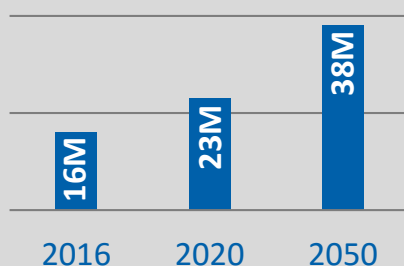
■ GCR ■ Rest of Egypt



of overall urban
population in Egypt

■ GCR ■ Rest of Egypt

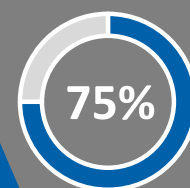
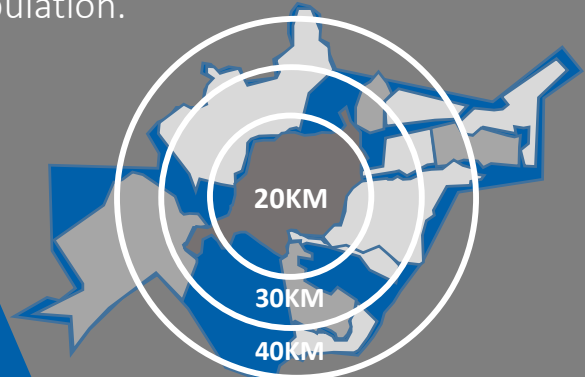
Projected population for GCR in 2050



The Target is
limiting the
population growth
in GCR by 2050 to
reach 30M ONLY
instead of 38M

Maldistribution of Population

The problem is not the available area of GCR, but the maldistribution of the population.



Of GCR's
population
is condensed
within 20Km
diameter circle

■ Population within 20km
■ Rest of GCR's population

Greater Cairo Region



ADVANTAGE

Development Direction

Different development direction approaches and visions should be clear to all inhabitants of Greater Cairo Region so they can also build a vision for their next movement steps and future settlement.

Main Concept

The main concept of the vision is developing new areas and cities to attract the population from middle Cairo and decrease the density in the inner city.

Redistribution of Population

In order to attract the population towards the outside of the inner city, Cairo 2050 vision included:



All housing types & categories



Diversity of job opportunities



New educational facilities



Transportation to link GCR



Parks and environmental friendly cities



Well distributed medical facilities

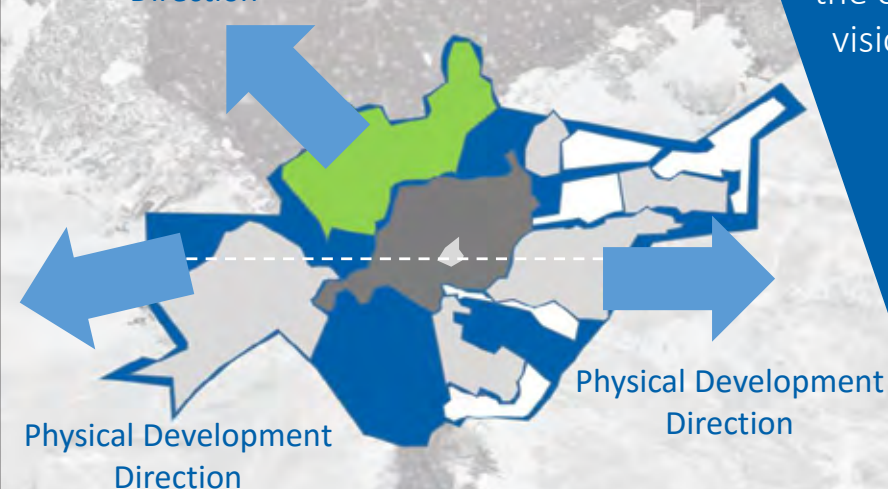


Tourism and hospitality



Entertainment & sports facilities

Agricultural Development
Direction



With the fast moving development strategy accompanied with less population density, new projects, and enough job opportunities it is projected for Cairo to reach its development goals and keep attracting new investors over and over.

It's time to catch the opportunity...

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For more details, please contact | **Sherif Hassan, Development Director**



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