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## THE ROAD TO **NET ZERO**



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In Cannes, MIPIM 2023

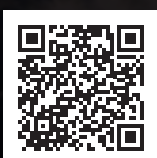
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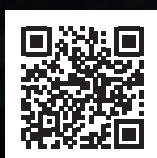
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# THE EXPERTISE OF IGI DEVELOPMENTS' FOUNDERS DATES TO 1942



IGI Developments, a leading real estate company, was one of the first to introduce the concept of integrated compounds in the mid 1990's. IGI Developments contributed to the development of new cities through its flagship projects Gardenia Park in 1994 and Al Ashgar in 1997 in the 6<sup>th</sup> of October City, followed by Gardenia Park II, Gardenia Springs, Ashgar Heights, and Ashgar City.



Over the past 30 years, IGI Developments has developed 8 projects, with a population exceeding 30,000, and an expected population of 60,000 upon the delivery of all units in the company's current projects.

Achievements of IGI Developments, a subsidiary of The International Holding Company for Financial Investments (IGI), highlight its extensive experience spanning 30 years in addition to the expertise of its founders, the Sheta family, and the magnitude of its origins which dates to 1942. IGI Holding covered multiple industries including textile, food, industrial, housing, petroleum, and construction sectors, leaving a mark in the 80 years that followed its inception.

IGI Holding's portfolio includes Income, Egypt's leading partner for next generation infrastructure mega projects and acts as an intermediary for the largest and most specialized infrastructure companies in the world, and is the agent for the Chinese company CSCEC, which implements projects in the Financial District in the NAC.

Ginza, also amongst IGI Developments' sister companies, has a generous record of major projects, including Nile University and Children Oncology Hospital Extension -57357, Microsoft and Egypt Post buildings in Smart Village, and Cairo Airport Mall, in addition to many residential communities in West Cairo.

Sherif Moustafa, Managing Director of IGI Developments, clarifies that IGI Developments' successful policies over the past two years contributed to boosting sales in 2022 to four times when compared to 2021.

Notably, IGI Developments managed to achieve notable growth rates in the last two years, and delivered 1,000 units in 2022, despite the economic challenges affecting the real estate sector, and the continuously increasing prices of raw materials, and aims to double the number of delivered units in 2023.

Sherif Moustafa says that the company was keen, during these crises, to accelerate the construction and development rates of its projects, as it aims during 2023 to pump at least EGP 1 bn into construction to comply with its obligations towards its clients.

IGI Developments cooperates with a variety of companies in the fields of design and construction, including Ginza its sister company, IBS, and Solid in Ashgar City project; LMS for Construction in "Jada" phase in Al Ashgar; GDG for infrastructure design in "Jada" and Ashgar Heights whereas Masar is handling landscape in all IGI Developments' projects.

IGI Developments also has successful partners in consultancy, design, and project management, including Pinnacle-TBH, EHAF and Al Amar companies. As for the company's non-residential projects, EMDAD and Distance are conducting their designs.

Sherif Moustafa stresses that what gives the company's projects an edge is adopting a well-studied vision in the choice of their distinguished locations as the 6<sup>th</sup> of October City is now served by the metro, the LRT train, and the best transportation solutions, which increases the investment value and contributes to the speedy occupancy of projects across the city.

Additionally, he thanked the Government for providing services for this area, as well as developing the transportation and road network in West Cairo.



## IGI Developments' Distinguished Offerings

Ashgar City spans over 148 acres and is located at proximity to all main axes and roads, such as Al-Wahat Road, Ring Road, Fayoum Road, and Dahshur Road.

Units in Ashgar City range from 85 to 170 sqm, with two or three bedrooms. Unit prices start from EGP 1.5 mn with instalment plans of up to 8 years.

As for Ashgar Heights, it offers 300 square meter villas with competitive prices starting from EGP 7 mn with installment plans over 7 years.

Sherif Moustafa notes that the company recently launched new units in Ashgar Heights' apartments first phase, Starla, with apartment sizes starting from 50 sqm, consisting of one-room studios, two-room apartments, and 3-room apartments, with areas ranging from 80 to 200 sqm, and installment plans of up to 8 years.

Sherif Moustafa points out that the demand for Al Ashgar is in constant increase due to its good reputation and IGI Developments' keenness on developing its projects especially those which have been delivered, in addition to providing high-quality services that guarantee the increased value for the client's units and creates an added value for the project. Accordingly, IGI Developments introduced the latest phase of the Al Ashgar under the name Jada in 2022. The phase, as expected, is receiving unprecedented demand.

The areas in this phase range from 140 to 200 sqm, with prices starting from EGP 2.5 mn and installment plans of more than 8.5 years. Jada units are slated for delivery in a year or two depending on the unit status as some are already under delivery.

The top executive states that 25% of the company's sales in new phases and projects are mostly referrals from old customers because of the customers' trust in IGI Developments.

Moreover, Sherif Moustafa unveils that IGI Developments' record in 2022 fourfold the sales achieved in 2021, despite the economic challenges, adding that the company plans to triple sales in 2023 to that recorded in 2022.

## IGI Developments Plans Expansion

He remarks that the company's non-residential projects land portfolio is about 350,000 sqm, and that 4 commercial and administrative projects will be launched in the 6<sup>th</sup> of October city, in addition to a school on an area of 15,000 sqm. IGI Developments also plans to launch a mixed-use project with an area of 50,000 sqm on El-Wahat Road with investments of EGP 10 bn, and a commercial project on Dahshur Extension from El-Wahat Road, with investments of EGP 2.5 bn.

As for IGI Developments' plans, the company aims to implement a distinctive project on an area of 540 acres in New Sphinx City, minutes away from Sphinx Airport.

Moustafa reveals that the company is preparing the project's masterplan, adding that consultants in the field of sustainable construction and green architecture will be hired to implement the project.

The project's planning aims to save energy consumed by buildings and reduce the use of lighting and ventilation systems such as air conditioners. The plan also

comprises using sun breakers on the facades of buildings and installing solar power panels. Efficient use of building materials will also be taken into account to reduce waste and emissions harmful to the environment.

A study is also underway to implement a wastewater treatment plant to secure water for irrigation of green spaces. Irrigation systems at the project will be designed to rationalize used water and reuse rain water in irrigation, as well as reusing agricultural residues as fertilizers and increase green areas to maintain environmental balance. The company also considers growing drought-tolerant plants to rationalize the use of irrigation water.

## Real Estate Sector Overview

Moustafa says that the challenges that the real estate sector has witnessed over the past two years, including the Covid-19 pandemic, global economic crisis, and the Russian-Ukrainian war, made developers with high expertise more distinguished in the real estate market, as they were able to overcome financing and construction difficulties. He attributes IGI Developments' ability to overcome these crises and even create a sales boom in light of the economic events, to its established expertise.

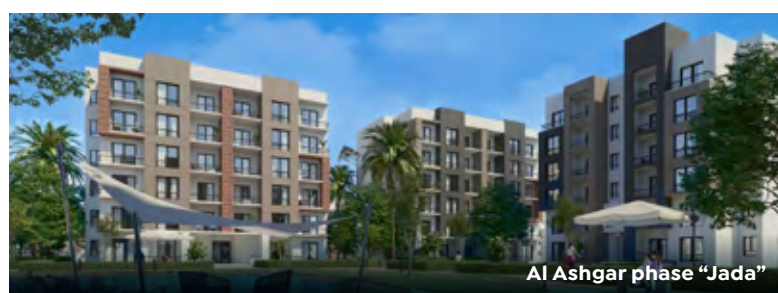
Regarding the real estate sector, Moustafa unveils that real estate companies are facing major challenges, in light of the devaluation of the EGP by about 40% and the increase in the construction costs, coupled with a drop in the purchasing power of customers. He adds that developers play the role of the financier, highlighting that offering instalment plans of up to 12 years is problematic, as it aggravates financial burdens on developers.

He maintains that now is the right time to develop mortgage finance systems and search for solutions to the current challenges including interest rates and extending the financing period for properties under construction.

Moustafa also highlights that despite the economic challenges, the real estate market remains the safest and most reliable investment, noting that the depreciation of the currency is a positive factor in boosting real estate export, especially after the decision of considering projects completed at 85% which facilitates registration of properties.

It is worth noting that the Egyptian Cabinet provided facilitations for the real estate developers including a 20% deadline extension of the original period granted for the already under-construction projects. As for the projects that have been or are being granted a grace period in exchange for fees, they will also be granted the 20% deadline extension, in addition to the possibility of scheduling all due installments.

Moreover, the government will consider projects finished when they are 85% complete, down from a previous 90%, a decision that will allow developers to finish the rest of the projects at their own pace without being fined for late delivery. This is in addition to the reduction of the additional interest imposed by the Ministry of Finance to 1% from 2%.





# EDITOR'S LETTER

Achieving net zero is a massive challenge and transitioning to green energy sources is essential. Yet, the focus largely remains on the supply side of the equation. There is no doubt that building more renewable energy sources is incredibly important. However, if we can reduce energy demand in tandem this will only accelerate progress toward green targets.

There is progress on the road to decarbonization but still a way to go.

In this regards, MIPIM 2023 will shed the light on the latest challenges posed by global events, the required leadership needed to drive change, the innovation necessary to reshape the built environment, and how to bring everyone together to embrace what now needs to be done.

In this issue, readers will have a deep look on countries' efforts towards decarbonization, and how they are on the right track to net zero. The issue also tackles other features, including investments in sustainable real estate, carbon certificates, and ESG and real estate.

Further, Invest-Gate conducts an interview with Nicolas Kozubek, MIPIM Director, to discuss 2023's main theme, Road to Net Zero.

Don't forget to check our latest Market Watch report and the update-to-date information about latest investments in Egypt's real estate sector.

Live green, Breathe Green, Go green.

Enjoy!

  
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## CONTENTS



Are Current Real Estate Decarbonization Efforts Enough To Save Earth?

P 14

Global Efforts to Stimulate Investment in Sustainable Real Estate



P 16



Net Zero The Global Goal to Counteract Climate Change

P 18

Carbon Certificates The Road to Green Economy & Slashing Carbon Emissions



P 26



Esg The Way to Sustainability

P 28

## MARKET WATCH

P 20

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## Transportation Ministry to Operate from NAC in March

Kamel El Wazir, Transport Minister, unveils that the ministry's employees will work from the new headquarters located in the NAC, starting from March 2023, Invest-Gate reports.

The Minister explains that some employees have been working from the ministry's new administrative capital headquarter since October 2022, and now with sufficient transportation means from and to the new administrative capital, the rest of the employees are ready to join their colleagues.

The announcement took place during a press conference to discuss transportation means within the new administrative capital, in addition to means provided to transport government employees to their new workplaces, where he revealed the contraction of nine private companies to provide 48 bus lines from all across Egypt.



It is worth noting that some 30,000 public employees will have been moved to the NAC by the beginning of March.

Each week, the employees of two or three ministries will be relocated and they should all be resuming work from the NAC by April.

## Some Real Estate Companies' Shares to be Sold in 2023



Egypt's Prime Minister Mostafa Madbouly announces that 32 Egyptian state companies will be listed on the Egyptian Exchange (EGX) and also sold for strategic investors over 2023, Invest-Gate reports.

In a press conference held following the weekly Cabinet meeting, Madbouly revealed that the 32 Egyptian state companies will either be listed on the EGX or sold for strategic investors within a year, that starts with the current quarter and lasts till Q1 2024, in accordance with the State Ownership document.

These companies work in 18 different fields, and the government will list 25% of these companies within 6 months.

Among the planned sales are stakes in banks, industrial, energy, insurance, and real estate companies.

As for real estate companies, they include El Nasr Housing and Development Company, Maadi Company for Development and Construction, El Mostakbal for Urban Development, and Misr Concrete Development Company.

The premier stresses that floating the companies is one of the strategic goals under the State Ownership Policy Document.

The document, approved by President Abdel-Fattah El-Sisi in December 2022, charts a roadmap to determine the state's presence in economic activities and enhance the private sector's participation in public investments.

The ownership document states that Egypt seeks to raise the role of the private sector in the country's economic activities from 30% at present to 65% within three years.

It is worth noting that the national plan to float state companies dates back to 2018 when Egypt announced the names of 23 state companies whose stakes will be offered, including Banque Du Caire and Middle East Oil Refining (MIDOR). However, the plan was delayed due to the consequent global crises.

The Egyptian government's privatization is part of a wider plan to more than double the private sector's role in the economy and raise \$40 bn by 2026.

## Egyptian Government Takes Measures to Support Real Estate Developers



The Egyptian government responds to demands from real estate developers, deciding to extend the project delivery deadlines by 20%, Prime Minister Mostafa Madbouly says in a press conference, Invest-Gate reports.

Madbouly notes that the government will consider projects finished when they're 85% complete, down from 90% previously, giving developers the chance to complete the remaining 15% of construction at their own pace without a delay penalty.

He adds that the government also approved the request submitted by the New Urban Communities Authority (NUCA) to reduce the additional interest imposed by the Ministry of Finance to 1% from 2%.

Madbouly states that these decisions were of importance to support the real estate development sector, given its importance in supporting the Egyptian economy to face the exceptional circumstances the country is going through.

Real estate developers call on the government to support them in facing the economic headwinds that all sectors are currently facing.

The developers ask for project deadlines to be extended from 9 to 12 months, and for late delivery fines to be waived.

Real estate companies also demand government support in the form of financing facilities to help the sector weather economic turmoil.





## REDCON FOR OFFICES AND COMMERCIAL CENTERS INTRODUCES “VERTICA EXECUTIVE OFFICES”

**R**EDCON for Offices and Commercial Centers, the newly established development arm of REDCON Construction, has recently announced the launch of VERTICA Executive Offices to be delivered in 2025, a project set to revolutionize the concept of executive offices, providing a unique, sophisticated, and customized working environment for businesses of all types and sizes.

### One Project To Rule Them All

Your exclusive VERTICA executive office in Golden Gate, in the Golden Square in New Cairo, on 90<sup>th</sup> Street, is the perfect image for your business while also creating a healthy work environment. The double-storey office has high ceilings and a very elegant exterior. Each office has its own private fully finished luxurious entrance with its private rooftop, to inspire greater creativity, maximize work productivity, and enhance employees' moods.

The launch of VERTICA Executive Offices last month marked an important milestone in the development of executive offices in Egypt. Providing integrated office solutions and flexible payment plans, that allow businesses to upgrade their office space as they expand, offering a range of services, from administrative support and IT services to comprehensive business solutions tailored to each business.

### Privacy Within A Community

VERTICA Executive Offices offer outstanding privacy for businesses, with spaces beginning from 1,000 m<sup>2</sup>, starting at a private entrance up to an exclusive rooftop, to incite maximal productivity and improve self-esteem. The buildings are equipped with the latest security technology to ensure customers' and assets' security. Additionally, each business can enjoy dedicated parking spaces in Cairo's biggest indoor parking.

Improving staff productivity, balancing out energy, and creating a workspace where employees can achieve personal effectiveness are the goals of the innovative design of VERTICA Executive Offices. The astounding architectural design permits lots of natural light, providing the perfect level of illumination, without creating excessively bright or dark areas. The luxury extends to the exterior with a direct view of the landscape design crafted by SWA. The offices also come with grand facades that create an unparalleled sense of opulence.

### Sustainability, A Core Value

Sustainability comes at the core of any project developed by REDCON for Offices & Commercial Centers. VERTICA Executive Offices follows an innovative construction approach that focuses on creating energy, water, and material-efficient buildings. It is all about reducing carbon emissions and maximizing the sustainable use of resources. VERTICA's building reduces energy usage by 40% through the integration of energy-efficient building materials, using high-performance glass and high-efficient insulation. Moreover, it decreases water usage by 25% by using water-efficient fixtures and recycled grey water for irrigation. In

addition, VERTICA's building reduces the embodied energy in the building materials by 20% through reusing and recycling them and reducing carbon emissions through less parking search and construction waste management.

By adopting these practices, VERTICA not only saves energy but also allows for waste reduction and helps to reduce the overall environmental impact, which aligns with Egypt's 2030 vision and the world's sustainability trends.

### At The Tips Of Your Fingers

The vibrant Golden Gate community is the ideal location to host VERTICA Executive Offices, the 6-office administrative building. It's accessible to all major axes of Egypt, Ring Road, Suez Road, Ain El-Sokhna Road, and Cairo International Airport. People can also take advantage of the monorail stations near Golden Gate; all they need to do is just step outside and they can access the world.



### A Gate To The Future

Covering an expansive 160,000m<sup>2</sup> of land, Golden Gate is formed of five interconnected districts, where businesses valuing a green development can lease an office or a store. Golden Gate is committed to environmental sustainability, making it the first green mixed-use development in Egypt. Golden Gate has dual certification of both Edge & Tarsheed, in addition to several sustainability consultants to ensure flawless execution and operation with complete adherence to sustainability standards.

## MNHD, Constec Ink EGP 500 Mn MoU for 2 Projects in Sarai



Madinet Nasr Housing and Development Company (MNHD) signs a memorandum of understanding (MoU) with Construction & Design (Constec) for the construction of two projects in New Cairo's Sarai project, with a value of over EGP 500 mn, Invest-Gate reports.

Under the protocol, Constec will carry out the construction work for two projects inside Sarai; Arena Mall and Kavana.

The first project includes construction works in the Arena Mall, which has a built-up area of about 8,000 sqm of the total area of the project, which constitutes the commercial component of the Sarai project.

Works on the project are scheduled to take 12 months.

As for the second project, it includes the implementation of construction works in the Kavana residential project, with a total number of units amounting to 215 villas, on a built-up area of 75,500 sqm of the total area of the project.

The units in the Kavana project comprise stand-alone villas, twin houses, and townhouses. Works at the project will take 20 months.

Situated over 5.5 mn sqm, Sarai is a mixed-use development located directly on Cairo-Suez Road and Al Amal Axis.

## Royal One Developments Completes Glass Facades of Capital Prime Business Park

Royal One Developments announces the completion of the crystal glass facades in the Capital Prime Business Park project in the New Administrative Capital's MU23 area, Invest-Gate reports.

Saher Magdy, Chief Commercial Officer, notes that work has been done to implement the external crystal of the project with the highest standards of quality and excellence to achieve visual beauty and architectural appeal.

He adds that this crystal includes within its distinctive units of offices and shops, which are a distinctive interface for the project that guarantees investors in these units' strong investment returns, as well as the high occupancy rate of these units, pointing to the importance of developing an implementable architectural design, and it is the same design that was presented to customers.



Magdy reveals that the project includes commercial, residential, hotel, and medical units, along with an administrative part with a total of 61 units, with areas starting from 43 sqm.

The project includes 45 units in the commercial part, with areas starting from 38 sqm, while the medical part, with a total of 21 units, with areas starting from 22 sqm, the top executive states.

## Times Developments Acquires 3 Companies; Pledges EGP 12 Bn Investments



Times Developments announces the acquisition of three development companies, namely Egyptian Developers, Mass, and Connex, Invest-Gate reports.

The developed companies have a compound land portfolio that spans 258,955 sqm.

Times reveals plans to develop these plots by launching three mixed-use projects with EGP 12 bn within the next four years.

The acquisition helps support Times' future expansion plans in Egypt, especially in the East and West Cairo and the North Coast.

It also raises the company's customer base and maximizes the value of the undeveloped land portfolio.

## Mountain View Injects EGP 6 Bn investments in 2023



Mountain View for development and real estate investment announces pumping EGP 6 bn in investments during 2023 to accelerate the pace of construction in the company's various projects, Invest-Gate reports.

The investment is set to be used to deliver units to clients on the agreed dates.

The company aims to support the sustainability of the growth of the national economy, provide more job opportunities, and meet the increasing demand for housing units.

Mountain View plans to spend the new investments on developing new phases of its projects, and expand the package of services provided through launching new projects in the commercial sector and investing abroad to replicate the company's successes in different markets.

Amr Soliman, Chairman of Mountain View, notes that the company will work during the new year to develop existing projects in order to deliver the largest number of units to customers.

The company will also strengthen partnerships with major international companies to provide a unique level of urban development that meets the various requirements of our customers, Soliman adds.

Mountain View invests around EGP 11 bn in 2022 and 2023, creating thousands of direct and indirect jobs.

The annual growth of the company's investments was reflected in the increase in the number of units delivered to customers, which reaches 1,500 units in 2022.

Mountain View achieves EGP 31 bn in sales during 2022 as a result of launching new projects in East and West Cairo and Ras Al-Hikma. The company plans to deliver more than 2,000 units in 2023.





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# LMD LAUNCHES “CAIRO DESIGN DISTRICT” AT ONE NINETY AS THE FIRST GLOBAL DESIGN DISTRICT IN EGYPT

**L**MD, the leading real estate development company, announced the launching of the first design district in Egypt “Cairo Design District” with total investment of EGP 12 bn in its ground-breaking project One Ninety, one of the most iconic real estate projects which lies in a prime location at the meeting point between the Ring Road and 90 Street in New Cairo. The district will be a huge boost to the project thanks to the variety of unique services it will offer to creatives and designers worldwide.

The Cairo Design District is the first innovation and design district in Egypt, as it is designed to act as a global creative neighborhood, much as international renowned Design Districts that have a focus on global design, like Dubai, London, Miami, and Milan. The district is planned to bring together a stunning area of 199,000 m<sup>2</sup> with a range of artwork from various fields, including fine arts, fashion design, architecture, and interior design. Cairo Design District is a place that embraces all creatives, whether they have expertise or are just getting started to help them express their artistic talents and engage in numerous artistic events and workshops that enrich their talent and give them the opportunity to spread locally and globally. LMD is looking forward to beginning their first delivery in this exquisite district within two years.

Cairo Design District was master planned by the widely respected top-ranked architects and consultants globally SOM in partnership with Portland and Pragma and features a revolutionary modernist concept that presents a different image for artistic and creative hubs. The district is envisioned to be a conclusive creative neighborhood, a home for the Fashion, Art and Culture, Culinary, Contemporary Offices, Entertainment and Hospitality in Egypt. Its concept is built on being a walkable hotbed of world-class luxury fashion stores, showrooms, galleries, design-led restaurants, eateries, gastro pubs, entertainment, cultural venues such as museums, galleries, fashion academy, musical studios and performance spaces with secondary attractions including F&B and high-end retail stores with a modern architecture and upscale interior design, coming for the first time to Egypt. Cairo Design District is also going to be a design hub that accommodates established designers, supports emerging creatives and offers a platform for startups, advertising agencies, production houses, consulting offices, and upcoming artists, through providing contemporary offices starting from 100 m<sup>2</sup> which was specially designed in a way that makes it easier for artists to design and perform their works while providing all the facilities and tools needed to bring their work to light in various fields of art, fashion design, furniture, and other forms of art.

When introducing the Cairo Design District, LMD has put in consideration that this district provides a number of international hotels for the first time in Egypt, including the Aloft hotels, so that it could be an integrated global destination that attracts creators, artists, and creatives from all over the world, as well as tourists looking to spend an unforgettable holiday in Egypt. In the same context, Eng. Amr Sultan, CEO of LMD, said: “We set out to develop One Ninety with the sole purpose of it becoming a game changer for real estate projects in Egypt with its innovative thinking and distinctive model for integrated urban communities, which brings its public visitors the highest degrees of comfort, luxury, and stability. From this point on, we were determined to provide all facets of contemporary life including master plans, designs, and services that meet

the global standards to guarantee the sustainability of life in every area of One Ninety.” Sultan Added: “With its breathtaking architectural designs and high-end services, Cairo Design District achieves this ideal picture of real estate projects that puts the Egyptian real estate market on the global map. This district is a reflection of art and culture, providing creators from all over the world with the ideal environment for creativity and innovation. It is indeed appealing to high-end global brands and international designers, as well as to those looking for a world-class experience to enjoy and shop at a level equivalent to the most notable and well-known international art and entertainment hubs, with the luxury and distinctiveness it offers in every aspect.”

LMD was pleased to work with LMLT, one of its most renowned subsidiaries that specialize in overseas commercial development, management, and ventures, to develop and manage Cairo Design District to provide the maximum benefit and return on investment for all beneficiaries of this significant project. This collaboration is part of LMD's commitment to making Cairo Design District a true global creative hub. In this context, Mr. Ahmed Hanafi, CEO of LMLT, said: “Cairo Design District is an area that we have been keen to develop specifically to support and nourish local, regional, and international talents since it provides a place for creativity and design that brings together all global brands specialized in fashion, art, and entertainment in order to support designers and talents around the world, help them develop their businesses, and provide an environment where they can unleash their creativity in cooperation with the best-known global brands, which gives One Ninety an added value and ranks it among the most outstanding global real estate projects.”

Cairo Design District is a part of One Ninety mixed-use development which is considered the most iconic project among LMD rich portfolio locally and globally, and strategically is the turning point of the company in the real estate market. LMD collaborated with the globally renowned SOM, Gensler, BJB and the global Hill International for One Ninety project master plan and management, on an area of 344,315 sqm, with a total investment of USD 2 bn, and it is the first project in Egypt to bring a global high-end brand to its residential sector, such as W Residences Cairo, for the first time in Africa, with a total number of 300 units varying from hotel apartments, villas, and penthouses, in addition to the most well-known hotels, W Cairo, an Urban Park, a business quarter, and Cairo Design District. One Ninety guarantee its residents and visitors with the true meaning of pleasure, luxury, and hospitality all at once, assuring LMD's strong vision and its promising strategies in offering exquisite real estate projects on a global level that are game-changers in the Egyptian real estate market, relying on its wide-ranging expertise locally and globally in different countries through its various projects in United Arab Emirates, Greece, and Spain.





# ARE CURRENT REAL ESTATE DECARBONIZATION EFFORTS ENOUGH TO SAVE EARTH?

BY MUHAMMAD KHALID

**I**n 2015, 194 countries signed the Paris Agreement with a unified goal to reduce the mean increase in global temperature to below 2% and cut carbon emissions to net zero by 2050.

Reaching such an agreement with a historic consensus was a great success. However, that success would mean nothing if turned into a reality.

City governments across the globe are responding to the climate emergency by setting bold commitments to move to a net zero economy over the coming decades, often well ahead of national targets.

But, put simply, ambitious city environmental sustainability targets won't be achieved and will remain aspirational without a proactive program to significantly reduce emissions from buildings. As city governments set more and more ambitious emissions targets, real estate landlords, investors, developers, and occupiers will have a key role to play in delivering these targets. It is a group effort. The real estate industry is under intense pressure to deliver a net zero built environment.

## Decarbonization in Major Cities

Equally, expectations are high among real estate investors and occupiers about the role that city governments should be playing to drive the decarbonization agenda. City governments need to create the infrastructure, frameworks, laws, and incentives for all stakeholders to be successful.

Around 32 major cities worldwide, including Boston, Berlin, Dubai, Hong Kong, London, and Paris, are taking serious steps toward decarbonization and resilience.

To that end, major cities across the globe work towards decarbonization of the real estate sector, as buildings contribute 60% of global carbon emissions.

Looking forwards to 2050 climate goals, decarbonization of the real estate sector will face a main challenge. 80% of the building stock in 30 cities considered in a study by JLL will survive post-2050, which will undermine climate-aware efforts in those cities.

As a way around that challenge, retrofitting seems like a very reasonable solution.

## Retrofitting to Reduce the Harm

Retrofitting is the process of upgrading or modifying an existing building, structure, or system to improve its functionality, safety, and energy efficiency, or to meet new requirements.



In real estate, retrofitting involves a range of improvements such as replacing or upgrading mechanical, electrical, or plumbing systems, adding insulation, or strengthening the structure to better withstand natural disasters or other hazards.

Retrofitting can be a powerful tool in the effort to decarbonize buildings, which are responsible for a significant portion of greenhouse gas emissions.

The concept has great potential in boosting energy efficiency through upgrading insulation, replacing windows and doors, installing energy-efficient lighting and appliances, and improving heating, ventilation, and air conditioning (HVAC) systems.

Retrofitting buildings can also include installing technologies that capture and store carbon emissions of buildings to offset emissions.

Furthermore, using eco-friendly buildings materials like recycled steel, sustainably harvested wood, or low-carbon concrete in the construction or renovation of properties.

As per JLL's data, in order for retrofitting to succeed in cutting buildings' carbon emissions, it should exceed 3% every year.

Currently, most major cities have retrofit rates that range between 1% and 2%.

## Plans in Developed Cities

If we look at three major cities like London, Paris, Boston, Manchester, and Toronto, we will find that a huge amount of work must be done to achieve the goals of decarbonization in real estate.

In London, some 100,000 homes and 15,000 workplaces need to be retrofitted per year until 2050, as 80% of existing buildings in the city are likely to still be standing in 2050.

In addition, Paris plans to retrofit all homes by 2050 at a rate of 40,000 private homes annually. The city is taking climate concerns more seriously, as it requires developers to integrate adaptability and versatility in the construction of new buildings.

By 2030, around 30% of office space in Paris is expected to be adaptable, rising to 50% by 2050. The Paris Climate Action Plan stipulates that all new urban projects launched from 2030 onwards shall be carbon neutral throughout their entire life cycle.

As for Boston's climate plan, 85% of buildings that will survive until 2050 have already been built and, therefore, major energy retrofitting and electrification should be applied to 80% of buildings in the city by 2050 to achieve carbon neutrality.

When it comes to Manchester, the city's retrofitting task force plans to execute 61,000 domestic retrofits annually by 2030.

Further, Toronto adopted a climate plan that aims to retrofit 100% of buildings by 2050.

## Egypt and Decarbonization

Egypt is following the steps of other global economies in efforts to reduce the sector's impact on climate change. There are currently 23 LEED (Leadership in Energy and Environmental Design) certified buildings in Egypt. Research, development and property technologies will be crucial in helping to reduce emissions from the built environment as cities set their sights on net zero.

The Egyptian government has also taken economic and environmental measures that played a major role in stimulating investments, investing \$324 bn to achieve sustainable development initiatives to reduce emissions and improve infrastructure. The state has taken this approach in all new cities, whether it has worked to establish them during the recent period, or cities that have been implemented decades ago through replacement and renewal processes that ensure the implementation of this new approach.

## Co-living as Solution

Among the effective solutions for decarbonization of the real estate sector is co-living. The concept was introduced in the early thirties in London.

According to a study by Penny Clark from the University of Westminster, co-living has the potential to lower greenhouse gas emissions in the UK.

Co-living ensures a steady reduction in energy consumption and carbon footprint, as co-living spaces typically have shared living spaces, kitchens, and common areas.

Co-living spaces are often located in urban areas, which makes it easier for residents to use alternative transportation options such as walking, biking, or public transportation. This can reduce the carbon footprint associated with transportation.

In the era of digitalization and freelance nomads, co-living has become trendier and appealing especially to millennials.

A report by Knight Frank India, around 72% of millennials (aged between 18 and 23 years) are willing to consider co-living spaces as an option for their accommodation.

## Legislation

27 countries across the globe have enacted laws passed by the legislative branch of government that contain net zero targets or equivalent, a report by The Grantham Research Institute on Climate Change and the Environment showed.

However, the application of such laws faces many limitations, including lack of definition and executive regulations.

For instance, Nigeria passed a law to achieve a net-zero emissions between 2050 and 2070, but the law doesn't stipulate any requirement for companies to achieve that goal.

In the EU, climate legislation doesn't require companies to reduce their emissions. However, there is a proposal before the European Parliament that would require companies to adopt plans to ensure that the business model and strategy of the company are compatible with the transition to a sustainable economy and with the limiting of global warming to 1.5°C.

In Spain, the climate change law mandates companies to report on climate risks, but the word 'company' here is defined to just mention companies that are traded on regulated markets.

Meanwhile, Portugal's law has better and more inclusive definition of companies.

As per data released by Climate Watch, world carbon emissions are skyrocketing in many countries, including China, or at best reaching a plateau in other countries. That means that the climate crisis has not been taken seriously yet.

There are many trends and positive attempts by many countries and institutions in the world, but good intentions are in no way enough to create a real impact and save our beloved planet.



# GLOBAL EFFORTS TO STIMULATE INVESTMENT IN SUSTAINABLE REAL ESTATE

BY **SHAIMAA IBRAHIM**

TRANSLATION **MUHAMMAD KHALID**

**T**he real estate sector is one of the main causes of global warming. According to a report by the Intergovernmental Panel on Climate Change, around 38% of energy-related carbon dioxide emissions come from buildings, 28% from operational emissions, and 10% from building materials and construction activities. Therefore, the expansion of green urbanization, the sustainability of real estate, and the endeavor to reduce carbon emissions have become a global trend, as a major solution to confront the continuous environmental changes.

The United Nations Environment Program stated that the boom in the global construction sector has pushed carbon dioxide emissions in the sector to an all-time high of 10 gigatons, which means that it is off track to meet its decarbonization pledges of 2050.

In this feature, Invest-Gate discusses the importance of applying sustainability principles in the real estate sector globally, identifies the most prominent obstacles to this trend, and highlights the efforts made in all countries to invest in green buildings.

## Global Transformation Towards Real Estate Sustainability

Green buildings have many advantages that make them preferred in the global markets. It is expected that the number of green buildings will

reach more than 534,000 by 2028, compared to 76,000 in 2019, and their market value will reach \$241 bn by 2026, according to the French company, ReportLinker. The International Finance Corporation (IFC) estimates that the investment opportunity represented by green buildings will reach \$24.7 tn by 2030 in emerging market cities. However, Asia Pacific has led the growth in the global multifamily housing green buildings market for 2021.

Green buildings depend on the application of the principles of sustainable construction and green architecture, which aim to reduce carbon emissions by improving the efficiency of energy and water consumption and contribute to improving the quality of the internal environment, in all stages of building, starting from planning and site selection, to design, construction, operation, ending to maintenance of buildings.

There are some obstacles that impede the expansion of green building investments globally, including their high costs compared to traditional buildings, which affects both investors and buyers.



In this regard, Mohamed Taher, Chairman of Nile Developments, stated on the sidelines of the Invest-Gate's roundtable held in October 2022 that the increase in the cost of establishing sustainable projects by 5-10% compared to traditional facilities would be offset by cost saving in the long term. Taher added that research had confirmed the displacement of about one bn citizens from their homes in 2050 due to carbon emissions and the rise in water levels, which prompts everyone to pay attention to establishing sustainable green cities.

## Sustainable Buildings Around the Globe

The United Nations Environment Program (UNEP) has indicated that the construction sector accounts for 40% of total energy needs in Europe and that 80% of it comes from fossil fuels. To reduce these emissions, the UNEP reported that the construction sector can contribute to decarbonization by improving the energy performance of buildings, reducing the carbon footprint of building materials, and doubling measures and incentives for investment in energy efficiency.

Recently, the demand for sustainable homes in Portugal has skyrocketed. Therefore, Portugal has taken several measures to encourage investment in green buildings. About 83% of investors in Portugal expect an increase in tenant demand for green properties, according to the British newspaper, the Green Journal. Many Portuguese companies take the issue of sustainable buildings at the core of their business, and this is considered to be in line with current legislation in the country.

In another context, UK-based company, Insulation4less, listed the 10 most environmentally friendly buildings in the world to be the Bosco Verticale Towers in Milan, Italy; Shanghai Tower, Shanghai; Vancouver Convention Center, Vancouver; Museum of Tomorrow, Rio de Janeiro; Pricewaterhousecoopers (PwC) Building, London; CopenHill, Copenhagen; Cube Building, Berlin; Marco Polo Tower, Hamburg; One Angel Square, Manchester.

## Investing in Sustainability

Real estate developers and investors must adopt sustainable real estate construction policies in the coming period, and prepare well for the future of sustainable real estate development globally, to implement the long-term sustainable construction strategy, as nearly two-thirds of the world's existent buildings are expected to stand until 2040, and will continue to emit greenhouse gases.

A global survey conducted by JLL revealed that achieving net zero emissions is at the top of the priorities of decision-makers in the real estate sectors during 2023, and a significant annual increase has been recorded in the number of clients who consider sustainability a top priority.

Sustainable buildings have increased the value of commercial real estate assets in Europe, according to Deepki, the ESG data intelligence firm. Although the implementation of green real estate causes a rise in costs for the investor, buildings that have the "LEED" certificate, the world's most widely used green building rating system, will have excellent prices.

Jay Grainger, Global Head of Sustainability and Environmental, Social and Governance Services (ESG) at JLL, confirmed that green buildings are now achieving record rents, as buyers are increasingly looking for spaces that reflect their sustainability commitments. Grainger pointed out that increasing legislation and regulations, such as carbon taxes on buildings in New York, contribute to raising awareness among investors

and buyers of the importance of implementing sustainable standards in real estate. Grainger adds that there is a concern, especially among investors, about liquidity and financing.

With emissions from real estate rising to an all-time high recently, real estate sustainability becomes a necessary step. "Achieving decarbonization targets quickly and in a financially prudent manner are key objectives for companies in 2023 and in the years to come, and companies now need to move from simply making commitments to implementing them on the ground," Grainger said.

About 63% of major investors strongly agree that green strategies can increase occupancy, rents, gross values, and the number of tenants, according to JLL's Decarbonizing the Built Environment report. The World Economic Forum also confirmed that the cost of building green properties and achieving decarbonization will reach \$5.2 tn over the next decade.

## Green Buildings in Egypt

Within the framework of Egypt's keenness to establish environmentally friendly cities and properties in order to preserve real estate wealth, Mai Abdel Hamid, CEO Social Housing and Mortgage Support Fund, stated that 7,998 units are being implemented under the green architecture model in the Capital Gardens city, as part of the Green Architecture initiative in cooperation with the World Bank and the Housing and Building National Research center (HBRC).

The Green Architecture initiative aims to build 25,000 housing units accredited by the Green Pyramid classification system for social housing, in four Egyptian cities: Capital Gardens, New Obour, New Aswan, and Hurgada. The country has accredited the Egyptian Council for Green Development, which recently implemented the Green Pyramid rating system, to assess the sustainability of buildings.

For his part, Walid Abbas, Assistant Minister of Housing for New Urban Communities Authority Affairs, said that the state seeks to implement smart and sustainable cities with the aim of reducing carbon emissions. Abbas stressed that the volume of buildings in the new cities that are being implemented does not exceed 25% of the total size of the city, while the remaining areas are allocated to green spaces and parks to reduce greenhouse gas emissions.

In order to meet the current growing demand for environmentally friendly real estate, Egyptian real estate companies are adopting more environmentally friendly specifications in building their projects, including the use of double glazing, wall insulation, energy-saving lamps, smart meters, and solar panels.

In this regard, Nader Khozam, Chairman of IL Cazar Developments, confirmed during the aforementioned roundtable that the current period is witnessing an increasing demand by consumers for sustainable and energy-saving facilities, and this comes at the top of the priorities of real estate developers, in order to meet the needs of the market and reduce emissions and rationalize energy consumption.

Ayman Sami, Country Head of Egypt at JLL, indicated on the sidelines of mentioned Invest-Gate roundtable that Egypt plans to power 42% of homes with renewable energy to cut carbon emissions. Further, Mohamed Galal, Managing Director of Misr Real Estate Asset Management, noted that the company has entered into an agreement with a French company to analyze the air in Cairo Downtown, determine the amount of pollution and emissions therein, and measure its energy consumption, and based on the results of these analyses, devices will be installed in some buildings to purify the air.

# NET ZERO THE GLOBAL GOAL TO COUNTERACT CLIMATE CHANGE

BY EMAN IBRAHIM

TRANSLATION MUHAMMAD KHALID

**T**he launch of Earth Day in the 1970s spurred attention to environmental and climate issues globally for the first time. The event has increased social support to establish the Environmental Protection Agency (EPA) to tackle environmental and climate matters. Ever since, Earth Day led to the passage of many environmental laws in the US.

This launch was followed by several attempts until the 1992 Rio de Janeiro Earth Summit took place, devoting attention to climate change at a global level with the passage of the first framework convention on climate. This agreement extracted confessions from developed, rich industrial countries with their historical responsibility for cumulative atmospheric emissions.

Afterward, many tries and recommendations took place until the launch of the Paris Agreement in 2015. This agreement was considered more comprehensive and international, yet less binding and works on less ambitious climate action. It came up with a settlement that pleased all states, namely the Nationally Determined Contributions (NDCs); i.e., every country shall be free to reduce its level of emissions, with no unified or binding standards.

Since the 2015 Paris Agreement, climate action gained momentum and countries have intensified climate action, and many have committed to reaching net zero emissions by 2050, meaning that any additional carbon emissions will be completely offset by carbon emissions withdrawn from the atmosphere.

## Net Zero

According to the United Nations (UN), net zero means cutting greenhouse gas emissions to as close to zero as possible, with any remaining emissions re-absorbed from the atmosphere, by oceans and forests for example.





Any remaining residual emissions are balanced by an equivalent quantity of permanent anthropogenic removals so that they cannot be released into the atmosphere by technological solutions (direct carbon dioxide (CO<sub>2</sub>) capture and storage) or through natural solutions (land restoration and improved forest management), according to the World Bank (WB).

## Why is Net Zero Important?

Global temperature increase should be limited to 1.5°C above the pre-industrial levels in order to avert the worst impacts of climate change and preserve a livable planet.

The UN notes that the Earth has already become 1.1°C warmer than it was in the late 1800s, and emissions continue to rise.

To keep global warming to no more than 1.5°C, as recommended in the Paris Agreement, emissions should be lowered by 45% by 2030 and reach net zero by 2050.

## How Can Net Zero Be Achieved?

The carbon pricing mechanism, which can take the form of a carbon tax or emissions trading schemes or other equivalent measures such as sector-level regulations, is a key element of the decarbonization strategy.

Green investment and research and development (R&D) support will not be enough to reach net zero emissions by 2050. However, by increasing the cost of high-carbon energy sources, carbon pricing can incentivize a shift to cleaner fuels and energy efficiency.

Moreover, increasing the supply of clean energy sources only will likely lead to lower energy costs and will not incentivize energy efficiency as much, making it harder to reach net-zero emissions targets.

This is because the energy sector accounts for about three-quarters of greenhouse gas emissions. Replacing polluting coal, gas, and oil-fired power with energy from renewable sources, such as wind or solar, would greatly cut carbon emissions.

According to the UN, a coalition of countries, cities, corporates, and other institutions are pledging to get to net-zero emissions. More than 70 countries, including the biggest polluters; China, the US, and the European Union (EU), have set a net-zero target that covers about 76% of global emissions.

Over 3000 corporates and financial institutions are working with the Science-Based Targets Initiative to slash their emissions in tandem with climate science. Furthermore, over 1000 cities, 1000 educational institutions, and 400 financial

institutions have joined the Race to Zero and pledged to take rigorous, immediate action to halve global emissions by 2030.

More than 160 companies with \$70 trillion in assets have joined forces behind a common goal, namely steering the global economy towards net zero emissions and fulfilling the Paris Agreement goals. Members involve major asset owners and managers as well as banks with the power to mobilize trillions of dollars behind the transition to net zero.

The WB's Task Force figured out that in order to guarantee that net zero targets are credible and maintain government support, the targets and strategies to achieve them should be transparent, ambitious, and aligned with social and economic development objectives. Additionally, they must apply robust accounting rules so greenhouse gas emission reductions are assessed accurately and double counting is avoided, that is not claimed by more than one country or entity.

## Are We on The Right Track?

The UN said we are not on the right track. Commitments made by governments to date are way less than what is required. Current national climate plans, for 193 Parties to the Paris Agreement taken together, would lead to a remarkable increase of approximately 11% in global greenhouse gas emissions by 2030, compared to the 2010 levels.

It further explained that reaching net zero requires all governments to significantly strengthen their NDCs and take bold, immediate steps toward cutting emissions now. The Glasgow Climate Pact called on all countries to revisit and strengthen the 2030 targets in their NDCs by 2022 year-end. However, only 24 new or updated climate plans were submitted by September 2022.

It is worth noting that the top seven emitters, namely China, the US, India, the EU, Indonesia, the Russian Federation, and Brazil accounted for around half of global greenhouse gas emissions in 2020, whilst the Group of 20 is responsible for about 75% of global greenhouse gas emissions.

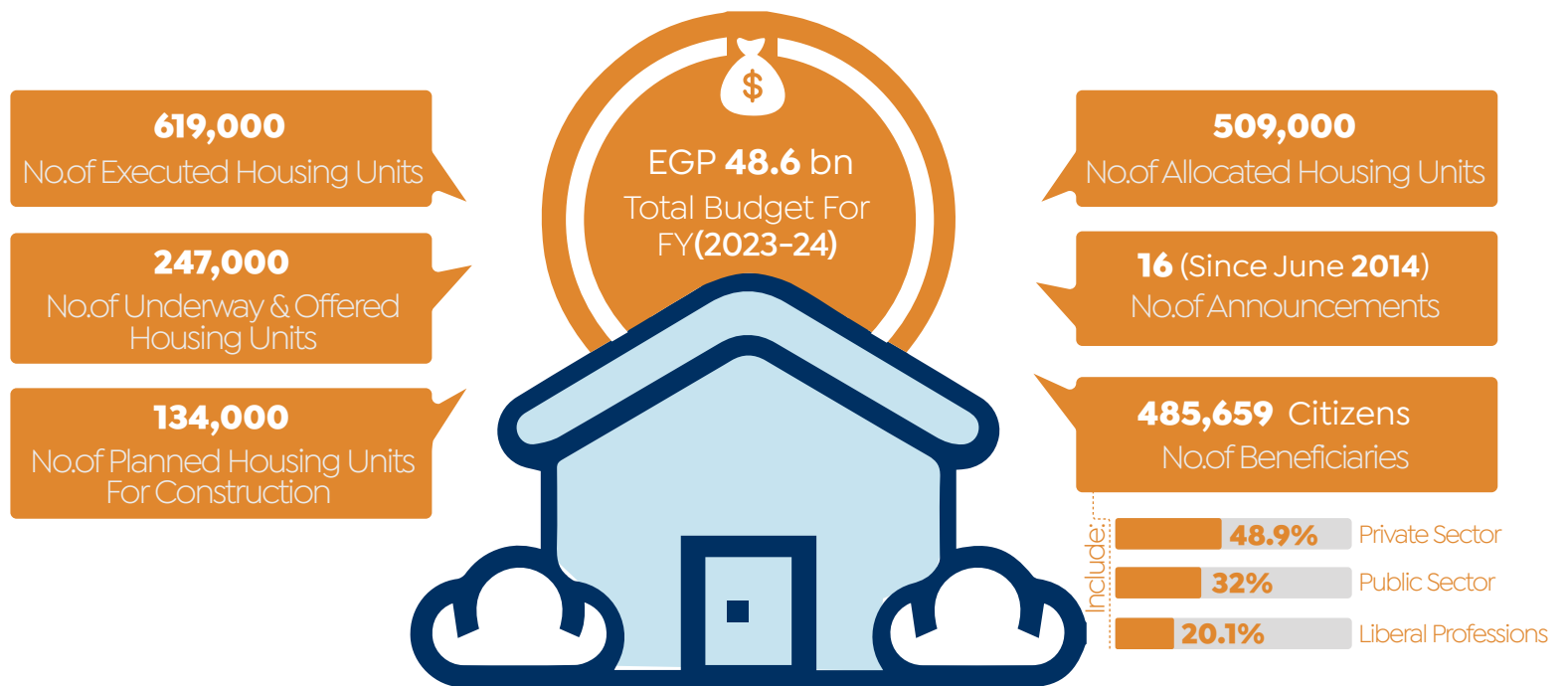
## Carbon in the Real Estate Sector

The World Economic Forum revealed that the real estate sector is responsible for some 40% of global carbon emissions. Hence, green real estate is an unequivocal way to mitigate the climate crisis and a main priority for future investments.

Further, it indicated that unsustainable buildings have become way less appealing and are difficult to get funding, increasing demand for new buildings. Major investors have shown a growing interest in sustainable real estate and the opportunities they offer to capitalize on future-proofing assets.

## 01 | REAL ESTATE MARKET UPDATES 2023

### SOCIAL HOUSING AND MORTGAGE FINANCE FUND'S ACHIEVEMENTS



### HAYAH KARIMA INITIATIVE "PHASE I"

#### | Sharqia Governorate



#### Supply Volume

- 10 Government Service Complexes
- 10 Agricultural Service Complexes
- 608 Classrooms
- 59 Schools
- 37 Youth Centers
- 61 Medical Units
- 7 Ambulance Points
- 20 Potable Water Projects
- 26 Housing Buildings For Priority Care Families
- 41 Sanitation Projects
- 20 Post Offices
- 4 Police stations
- Others

#### | Alexandria Governorate



#### Supply Volume

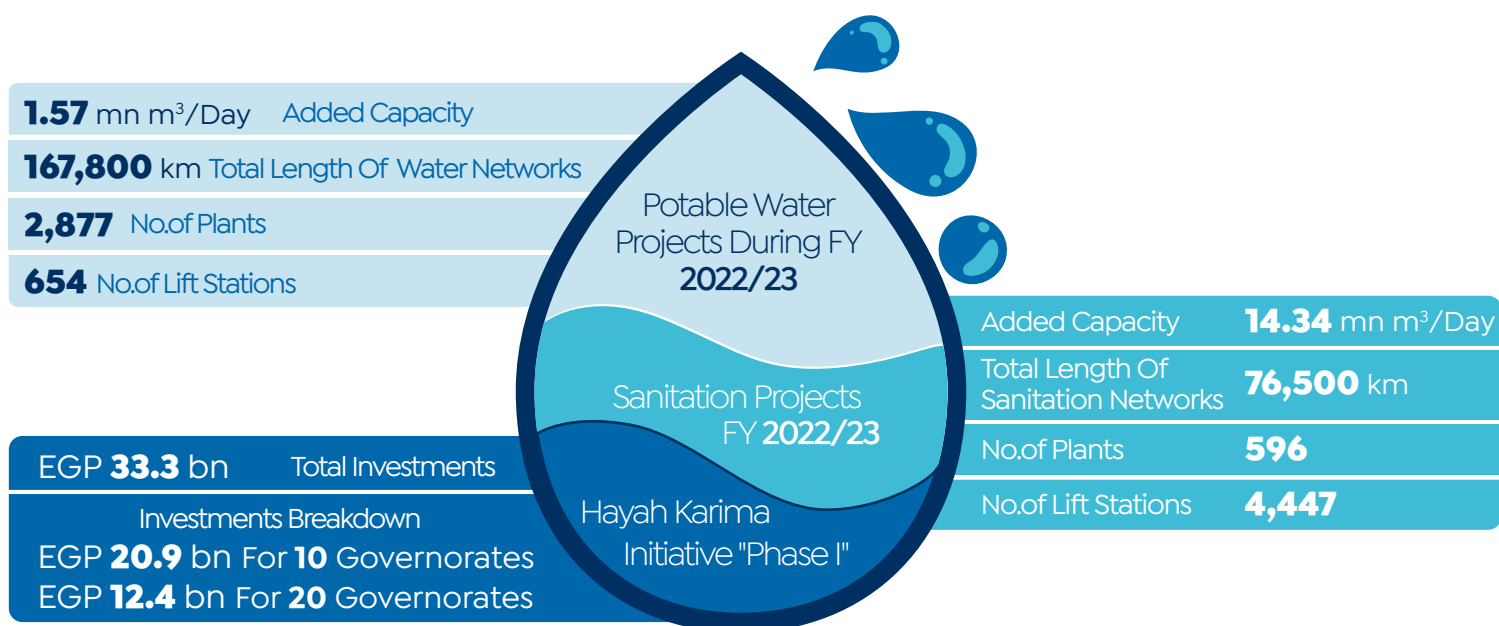
- 3 Government Service Complexes
- 5 Ambulance Points
- 5 Medical Units
- 183 Classrooms
- 10 Schools
- 2 Potable Water Stations
- 9 Sanitation Projects
- 6 Youth Centers
- 3 Post Offices
- 7 Police stations
- Others



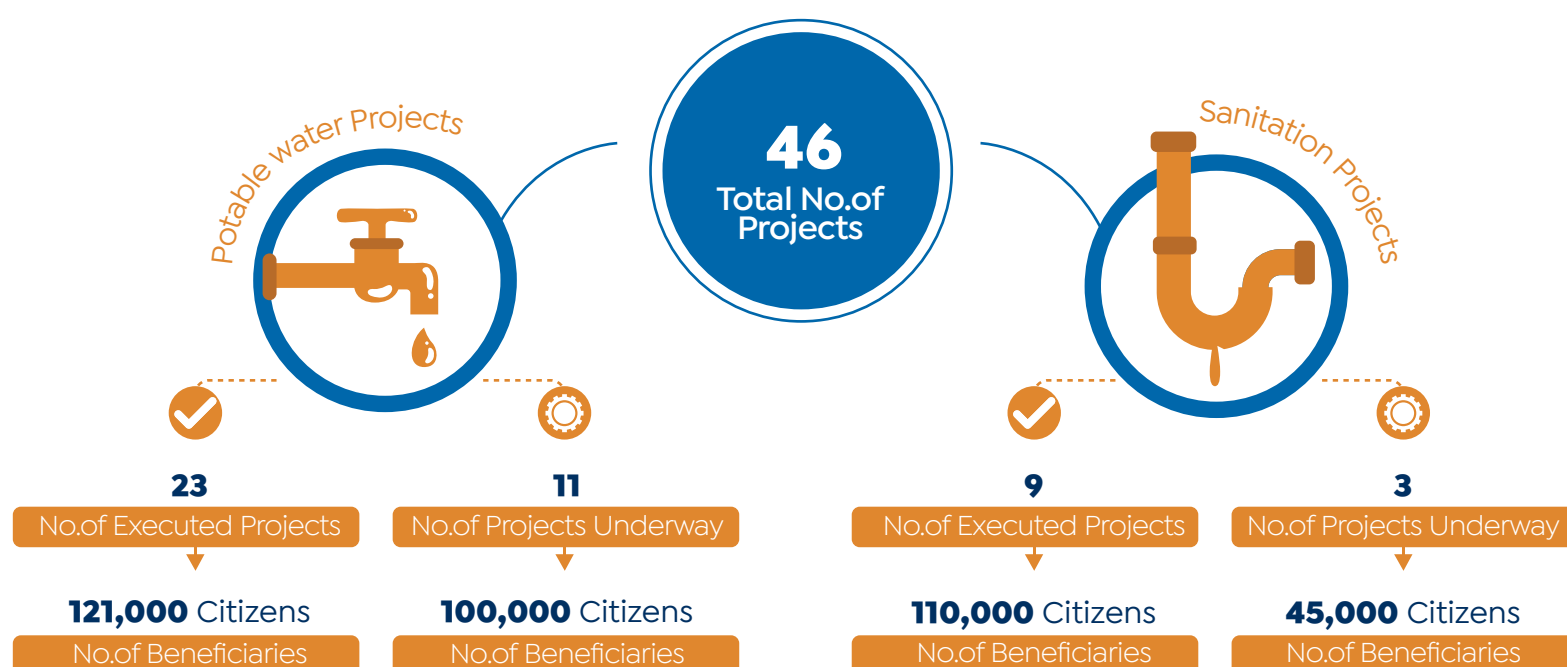
## DEVELOPMENT PROGRAM PROJECTS IN UPPER EGYPT



## HOLDING COMPANY FOR WATER & WASTEWATER'S PROJECTS



## POTATBLE WATER & SANITATION PROJECTS' IN SOUTH SINAI



Source: MPED, NUCA &amp; Cabinet

# 02 | NEW CITIES UPDATES 2023

## PLOTS ALLOCATION



**275**  
NO.OF ALLOCATED  
LANDS



**31 New Cities**  
LOCATION



SUPPLY VOLUME

- Integrated Urban
- High Institutes
- Schools
- Bakeries
- Nurseries
- Residential, Commercial  
& Administrative Services

- Hospitals
- Industrial Activities
- Logistic Services
- Hotels
- Recreational Activities
- Clubs
- Others

### Plots Breakdown (Cities & No.of Plots)

**14**

NEW CAIRO

**18**

NEW DAMIETTA

**4**

OCTOBER GARDENS

**1**

NEW ASYUT

**22**

10TH OF RAMADAN

**5**

NEW NUBARIA CITY

**1**

NEW OCTOBER

**8**

NEW NASSER

**10**

6TH OF OCTOBER

**2**

NEW SALHIA

**15**

NEW OBOUR

**17**

NEW QENA

**43**

SADAT CITY

**11**

NEW BORG EL-ARAB

**2**

NEW FAYOUM

**1**

WEST QENA

**13**

BADR CITY

**2**

NEW ADMINISTRATIVE  
CAPITAL

**11**

NEW BENI SUEF

**2**

NEW MALLAWI

**6**

15TH MAY

**2**

NEW MANSOURA

**6**

NEW MINYA

**1**

NEW AKHMIM

**12**

SHOROUK CITY

**3**

NEW PORT SAID

**19**

NEW THEBES

**15**

NEW SOHAG

**3**

OBOUR CITY

**3**

NEW SUEZ

**3**

NEW ASWAN

## NEW ADMINISTRATIVE CAPITAL (NAC)

### Capital Park



**10 km+**  
TOTAL LENGTH



**1,000 Acres**  
AREA



**89%+**  
COMPLETION RATE

### Capital Residence (R3)



**1,016 Acres**  
AREA



**8**  
NO.OF NEIGHBOURHOOD



**24,130**  
NO.OF UNITS



**Complete**  
STATUS

### New Garden City (R5)



**885 Acres**  
AREA



**22,466**  
NO.OF UNITS



**Concrete Work:**  
**Complete**  
STATUS

Source: NUCA & Cabinet



# 03 | PRIVATE REAL ESTATE PROJECTS

## UPDATES 2023



### NEW COMPLEX PROJECTS

#### NEW PROJECT (NAME N/A)

Developer: Arabisk Development

  
LOCATION  
Obour City

  
AREA  
**2,500 m<sup>2</sup>**

  
TARGETED SALES  
EGP **300 mn**

  
UNIT TYPES  
Commercial &  
Administrative Units

#### SKY COMPLEX

Developer: El Baron Developments

  
LOCATION  
Nasr City

  
AREA  
**3,850 m<sup>2</sup>**

##### SUPPLY VOLUME

- Commercial, Administrative & Medical Units
- Ground & **5** Floors
- No. of Units: **200**
- Unit Area: Starting From **25 m<sup>2</sup>**

 **50%**  
CONSTRUCTION'S COMPLETION RATE

#### NEW PROJECT (NAME N/A)

Developer: Menassat Developments

  
LOCATION  
New Cairo

  
AREA  
**5,500 m<sup>2</sup>**

  
INVESTMENTS  
EGP **1 bn**

##### SUPPLY VOLUME

- Commercial, Administrative & Medical Units
- Basement, Ground & **3** Floors
- Unit Area: **35-2,000 m<sup>2</sup>**

 Within **36 Months**  
DELIVERY DATE

#### WEST LEAVES

Developer: El-Attal Holding

  
West Cairo  
LOCATION

 **4**  
NO. OF PHASES

  
AREA  
**38 Acres +**

- Residential Units: **120,000 m<sup>2</sup>**
- Commercial Units: **30,000 m<sup>2</sup>**
- Administrative Units: **17,000 m<sup>2</sup>**

##### SUPPLY VOLUME

- Residential, Commercial & Administrative Units
- No. of Administrative Buildings: **31** (Each Building: Ground & **3** Floors)
- Residential Unit Area: **80-300 m<sup>2</sup>**
- No. of Hotel Towers: **8** (200 Rooms)

Source: Developers' Official Statements

# 04 | ECONOMIC SNAPSHOT

## UPDATES 2023



### INTEREST RATES



\* MPC Meeting Was Held On Feb 2, 2023



### MONEY SUPPLY (EGP BN)



### DOMESTIC LIQUIDITY (EGP BN)



### ANNUAL HEADLINE INFLATION

DEC-2022: **21.3**

JAN-2023: **25.8**

**↑**



### NET INTERNATIONAL RESERVES (USD BN)

DEC-2022: **34.003**

JAN-2023: **34.224**

**↑**



### PURCHASING MANAGERS' INDEX (PMI)

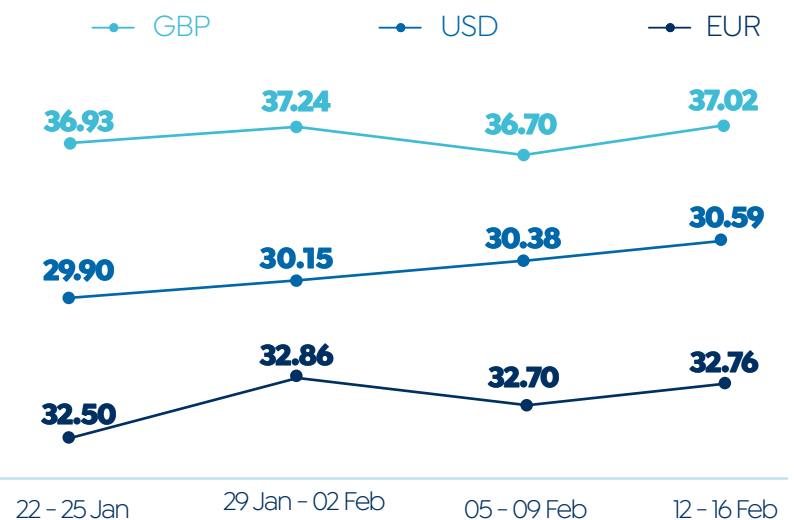
DEC-2022: **47.2**

JAN-2023: **45.5**

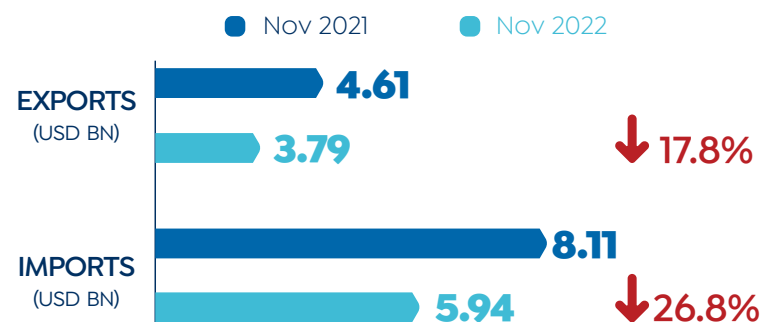
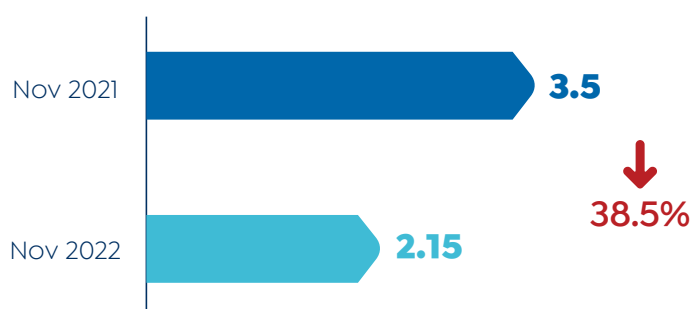
**↓**



### EXCHANGE RATES



### TRADE DEFICIT (USD BN)



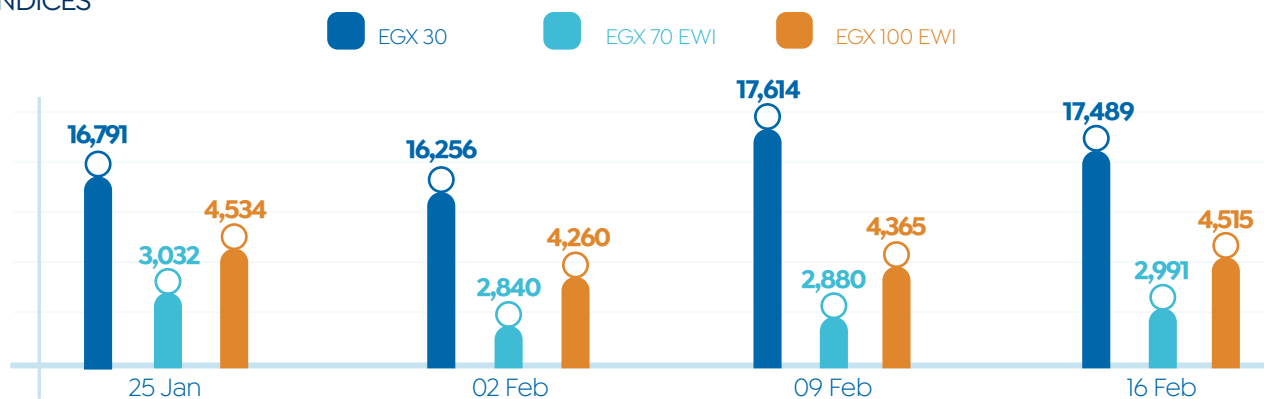
Source: IHS Markit, CAPMAS, CBE & FEDCOC



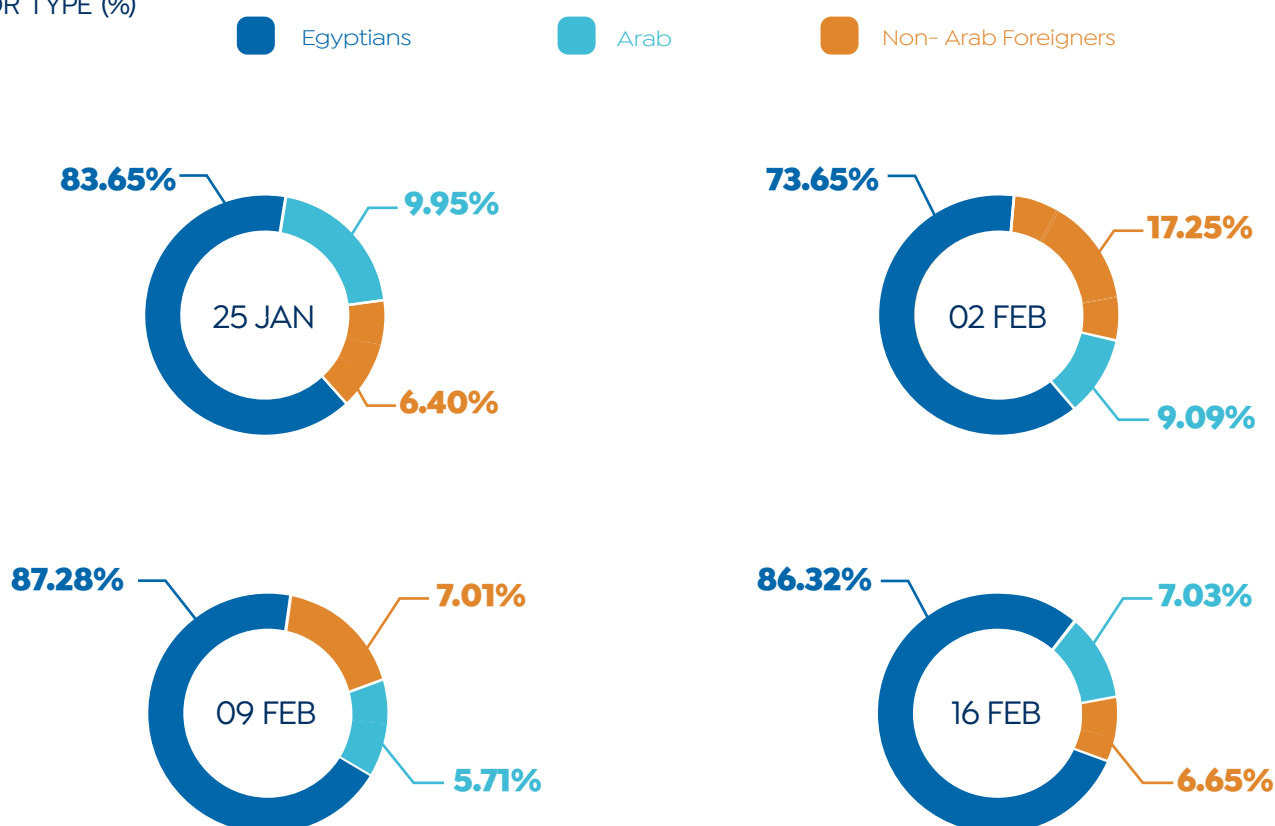


## CAPITAL MARKET INDICATORS

### MARKET INDICES



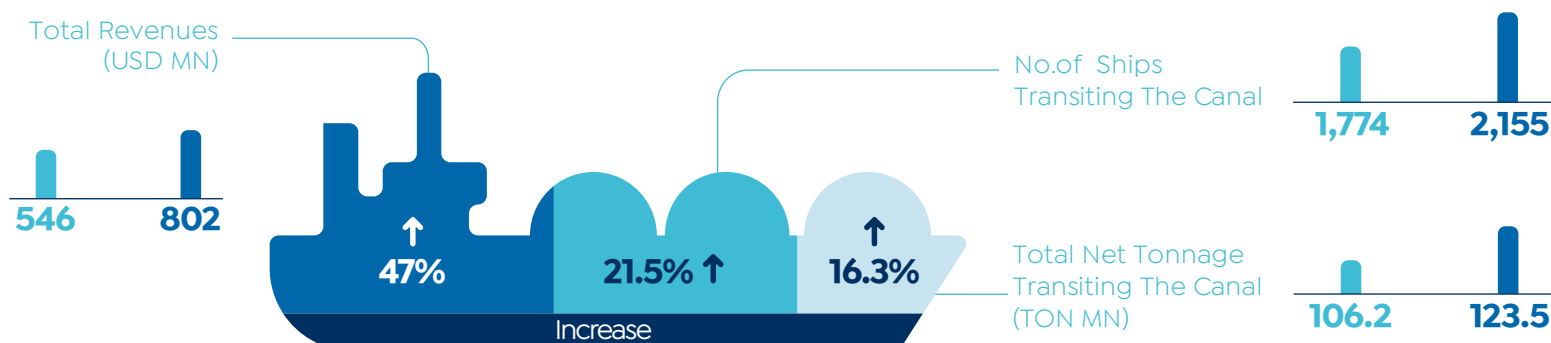
### INVESTOR TYPE (%)



## SUEZ CANAL

Jan 2022

Jan 2023



FOR ACCESS TO FURTHER  
IN-DEPTH ANALYSIS  
PLEASE SCAN



Source: EGX & Suez Canal Authority



## CARBON CERTIFICATES

# THE ROAD TO GREEN ECONOMY & SLASHING CARBON EMISSIONS

BY **HEBA GAMAL**

TRANSLATION **AMAL ABDEL WAHAB**

**C**arbon certificates have become an important tool to finance sustainable energy projects and mitigate their impact on climate change, being a powerful mechanism, that countries or companies adopt to reduce carbon emissions, transition into a green economy, and invest in eco-friendly solutions. Unlike stocks and bonds, these certificates are only traded in some countries.

Carbon certificate trading is a system that allows companies to buy and sell carbon credits tied to the volume of their emission. This provides companies with a financial incentive to cut pollution and enables them to issue a specific limit of emissions, represented in the form of credits, each equal to one ton of carbon dioxide (CO<sub>2</sub>). If a company exceeds its emission limit, it will need to purchase additional credits.

On the other hand, companies that reduce emissions can earn by selling their remaining credits. The price a company has to pay to exceed

its emissions cap depends on the market, where supply and demand dynamics determine the price of credits.

Using clean technology that lowers carbon emissions across the real estate sector undoubtedly represents an investment opportunity that should be pursued in the best possible way. Sustainable real estate projects have become a part of the culture of governments and real estate businesses worldwide and carbon pricing will help them adopt state-of-the-art technologies across the construction and project management fields.



Many countries have imposed mechanisms for carbon pricing to encourage companies and sectors to cut emissions. In this feature, Invest Gate aims to spotlight these mechanisms.

### China Launches Carbon Market

On July 2021, China officially launched the carbon trading market within its climate plans that aim at cutting emissions and reaching carbon neutrality by 2060 and in the realization of the risks posed by global warming on the environment and society. The giant Asian country, the largest new energy investor, aims to become a global climate leader.

Practically, China's carbon market will force thousands of corporates there to slash their pollutant emissions to avoid incurring economic losses.

### Saudi Arabia Establishes Regional Voluntary Carbon Market Company

Saudi Arabia's Public Investment Fund (PIF) announced the establishment of a Regional Voluntary Carbon Market Company, where it will hold an 80% stake while the Saudi Tadawul Group will hold the other 20%. The new firm aims to support and empower corporates and sectors across the region to reach net zero and ensure buying carbon credits to reduce emissions across value chains.

The Kingdom's sovereign wealth fund further unveiled the establishment of a voluntary platform for carbon certificate trading across the MENA region. This platform is an enabler to meet the market mechanism goals to offset and balance greenhouse gases.

The announcement comes in tandem with the Gulf country's climate ambitions and goals represented in nationally-determined contributions (NDC) that aim at lowering emissions by 278 mn tons of CO<sub>2</sub>eq (equivalent) annually by 2030, reaching net zero by 2060, and joining the Global Methane Pledge to slash global methane emissions by 30% by 2030.

In this regard, Yasir Al Rumayyan, Governor of the PIF and Chairman of Saudi Aramco, emphasizes, during the Saudi Green Initiative (SGI) Forum taking place at the 2022 United Nations Climate Change Conference (COP27), that the voluntary market initiative for carbon credit trading, the first of a kind in the MENA region, witnessed the world's largest-ever auction. A total of 1.4 mn tons of carbon credit certificates were sold to 15 Saudi and regional bodies, Al Rumayyan reveals, adding that the PIF is the first-ever sovereign wealth fund to issue such financial instruments and the first-ever 100-year green bond.

### The UAE Launches 1<sup>st</sup> Carbon Credit Trading Exchange

The Abu Dhabi Global Market (ADGM) announced its cooperation with AirCarbon Exchange (ACX) to launch the world's first carbon credit trading exchange and clearing house. The ADGM is set to become the first jurisdiction globally to regulate carbon credits as commodities and emission offsets and issue licenses for exchanges to operate both spot and derivative markets.

The regulatory framework will allow corporates to trade and finance carbon credits like conventional financial assets, thus increasing participation and investment in global carbon reduction and offset programs.

In this respect, Ahmed Jasim Al Zaabi, Chairman of ADGM, says that the exchange launch is a significant global milestone and another world's first for Abu Dhabi, adding that this initiative reinforces ADGM's commitment and ongoing efforts to cement its position as a leading international financial center and world-class global commodities and carbon trading hub. As the first country in the Gulf to commit to net zero by 2050, this

new trading platform is a further extension of Abu Dhabi's drive to support sustainability ambitions and underlines ADGM's focus on carbon neutrality, Al Zaabi notes.

### Egypt Leads African Market for Carbon Certificates

Egypt's Prime Minister, Mostafa Madbouly, has recently issued a decision incorporating new provisions to the executive regulations of the Capital Market Law. The decision stipulates the establishment of a voluntary market within the Egyptian Exchange (EGX) for the trading of carbon emissions reduction (CERs) certificates. A committee, "The CERs Supervisory and Monitoring Committee", shall be established by the Financial Regulatory Authority's (FRA) board of directors in coordination with the Ministry of Environment involving representatives from relevant authorities.

Madbouly reiterated that the launch of the new voluntary market reinforces Egypt's ability to effectively support fostering the global carbon neutrality goal, adding that the new market comes in line with the Egypt National Climate Change Strategy (NCCS) 2050.

The Economic Affairs Committee of Egypt's Parliament granted its preliminary approval to the Capital Market Law amendments that permit carbon certificate trading within the EGX. The FRA said that it is working on introducing some amendments to the executive regulations of the Capital Market Law ahead of the EGX launch of Africa's first voluntary carbon market in mid-2023.

In this regard, Tarek El Gamal, Chairman of REDCON Construction Company, says that this decision will achieve a giant leap in encouraging corporates and the private sector to achieve sustainability and cut carbon emissions across all projects and sectors. Trading these certificates will contribute to boosting green investments and diversifying their options by providing new financing tools that help businesses implement their expansion plans for more sustainable projects, given the great success this solution had achieved in Europe and the volume of investments realized.

El Gamal points out that Egypt has become Africa's leading country in terms of its adoption of sustainability support efforts and aiding economic entities cut harmful carbon emissions.

Following Egypt's hosting of a landmark COP27, which achieved unprecedented positive results, many economic corporates and institutions as well as individuals became more aware than before of the environmental challenges, how to face them, and how to mitigate their negative impacts. This affirms that the carbon certificate trading decision will significantly reflect on the Egyptian economy, El Gamal highlights.

For his part, Osama Saad El-Din, the CEO of the Real Estate Development Chamber (REDC), commends the Prime Minister's decision, noting that it will encourage companies to adopt sustainable solutions and lower carbon emissions. In addition, Al-Din states that these certificates will offer attractive opportunities to international funds interested in green economy investment, revealing that countries' responses to climate changes are no longer a welfare but a necessity to protect all mankind against the adverse impacts of global warming.

Saad El-Din further stresses that this decision represents a step forward as part of the relentless and continuous efforts to push forward climate action for sustainable real estate projects and implement necessary changes to guarantee the continuous growth of buildings and cities.

Moreover, Saad El-Din notes that the Egyptian government is aware of the importance of cooperation between the public and private sectors to achieve the desired goals and further grow the real estate sector.



# ESG

# THE WAY TO SUSTAINABILITY

BY **KHOLOUD MOHAMED**

## What is ESG?

2020 was a watershed year for Environmental, Social and Governance (ESG) investing in real estate as pandemic- and climate-related disruption, along with growing recognition of social inequity, prompted investors to adopt a more robust approach to sustainability-related risks.

As the concept of ESG is now playing a much more prominent role in how companies operate, investors are embedding ESG considerations into every stage of the property lifecycle, from due diligence to acquisitions and from leasing to asset management. Thus, real estate investors are devoting more thought to ensuring how their portfolios can navigate through future crises.

## ESG in Real Estate

With operational emissions (energy used to heat, cool and light buildings) accounting for 28% of all global carbon emissions and embodied emissions (materials and construction processes during the entire building lifecycle) generating a further 11%, pressure is growing on building owners, operators and occupants to reduce their carbon footprint.

While carbon reduction efforts may not necessarily generate higher investment returns, they will play a prominent role in preserving asset value as occupiers increasingly shy away from properties with subpar environmental performance. As occupiers and investors

are drawn to properties that are more sustainable, these assets will be worth more.

Although property certifications such as LEED, BREAM and NABERS will remain important measurements of buildings' environmental performance, the focus is shifting to initiatives such as the World Green Building Council's (WGBC) Net Zero Carbon Buildings Commitment, which calls for all buildings to have net-zero carbon emissions by 2050.

Other initiatives include the Race to Zero, a United Nations global campaign that challenges companies, cities, regions and financial and educational institutions to halve global emissions by 2030 and already has signatories equivalent to half of global GDP.

## ESG Considerations for Real Estate Investors

With ESG now playing a much more prominent role in how companies operate, investors are embedding ESG considerations into every stage of the property lifecycle, from due diligence to acquisitions and from leasing to asset management. Investors in real estate have also recognized the importance of managing ESG risk.

The industry, a major contributor to carbon emissions and rarely celebrated as a positive contributor to society, has been criticized in the past for its sluggish progress in this area. Now, those who build,



buy, or manage property are expected to ensure their buildings meet environmental standards, have positive social impact, and that stakeholders in them operate in a responsible manner.

## Green Construction Materials

In addition to the building and construction industries accounting for almost 40% of annual global carbon emissions, manufacturing of concrete and steel each account for about 5%.

Viable alternatives, such as timber, are much more environmentally friendly due to carbon sequestration. Compared to an average steel and concrete building, which emits 1,000 to 2,000 metric tons of carbon dioxide during construction, a timber building will eliminate emissions by sequestering 2,000 to 4,000 tons of carbon dioxide.

Timber construction costs vary by property type but on average can match or reduce costs relative to conventional materials. Timber also provides more cost certainty and can reduce construction time significantly due to pre-fabrication.

## How do ESG-based loans work?

Bank loans are rapidly being restructured to include sustainability clauses. Lenders that have found a nexus between ESG-based lending and sustainability are incentivizing borrowers to transition the world to sustainability. ESG-based lending refers to general-purpose loans linked to the ESG performance of borrowers.

Thus, such kinds of loans work through tweaking margins. The margin of the loan is tied to the ESG performance of the borrower, where the lender issuing ESG loans includes clauses or covenants the borrower should achieve. If the borrower achieves the KPI targets set by the lender, the pricing of the loan is discounted, whereas if these targets are not achieved, a premium is added to the pricing of the loan. However, many mistake green loans for ESG-based loans, as corporates use both terms to showcase "sustainability".

## ESG Loans and Green Loans – Is There a Difference?

The main goal for ESG loans and green loans is sustainability. Although both terms are trending among bankers, ESG loans are issued with the objective of improving performance of borrowers in terms of ESG aspects, whereas green loans are issued solely to finance "green projects", focusing only on one factor, the environment.

Why ESG-Based Lending Is Important for the Real Estate Market?

ESG-based, green and sustainable lending has picked up significantly the real estate sector in Europe, which is an indicator that European countries are the main driver of global warming. Buildings account for 40% of the energy consumption in the EU, prompting policymakers to reduce carbon emissions.

In the UK, energy performance certificates rate buildings on a scale from A to G, where A indicates the most efficient and G the least efficient; it will be considered "illegal" to let out a building rated F or G by 2023. The Netherlands expects to draw the line at buildings rated C or below.

To achieve sustainability goals, Europe's real estate market is undergoing a wave of transformation, requiring investors and property owners to make properties occupiable from an ESG compliance perspective; 60-75% of the buildings would need to undergo substantial renovation, requiring total capital outlay of EUR 160-200 bn.

This is where ESG-based lending and green loans would come into play, as banks have always been dominant participants in the EU credit market.

## EU's Regulations to Support ESG

Numerous policies have been crafted to regulate ESG-based lending over the years. This includes sustainable finance disclosure regulation (SFDR), as many companies tend to greenwash their activities. Under this regulation, all asset managers and owners are required to report on the impact of sustainability risks on their investments and the adverse impact of their investments on sustainability factors.

Taxonomy regulations, the path to ESG labels, have been crafted. With buildings accounting for 36% of CO2 emissions in the EU, taxonomy regulations were crafted to clear ambiguities relating to economic activities termed "green". These taxonomy rules are particularly important for the commercial real estate market, enabling a building to be classified as a "green building". However, the main aim is to optimize the contribution of the real estate sector to Europe's climate goals by transforming existing buildings and constructing new buildings in line with net-zero-carbon standards.

In line with these taxonomy regulations, lenders and borrowers need to be transparent in reporting green activities, and lenders are advised to take extra care when deciding on KPIs to measure the ESG performance of borrowers.

One more crafted regulation is Fit for 55, which aims to make buildings in the EU fit for a greener future by reducing their greenhouse gas emissions by 55% (versus 1990 levels) by 2030 and reaching carbon-neutrality by 2050. Under this directive, real estate managers or owners need to consider energy performance of buildings, the use of renewable energy, and the use of clean energy while avoiding polluting fuels.

## ESG-Based Loans in Egypt

Egyptian banks are striving for sustainability. Only two Middle East-based banks are founding signatories to the UN's principles for Responsible Banking, and both are Egyptians. The Egyptian government was also among the first to introduce a sustainable development strategy in the wake of the Paris Agreement 2015, while the sovereign was an early issuer of green bonds.

Further, hosting the UN climate conference (COP27) has clearly focused the minds of Egypt's policymakers and industry executives. The CBE introduced guiding principles for sustainable finance in July 2020 that covered several topics, including capacity building, stakeholder involvement, and climate risk management.

As regards new regulations, they reflect the fact that sustainability is a comprehensive issue. Thus, banks are asked to bolster their green portfolios, introduce sustainable finance products, and assess environmental risk across projects. Lenders also need to put in place new policies and procedures, create and staff new sustainable finance departments, and prepare and publish annual sustainability reports. Sustainability reporting has to start from 2024, while creating policies and demonstrating proof of progress have deadlines in 2023.

Banks are still in the process of clarifying some aspects of the rules with the regulator, but a change in mindset over the last few years means that Egyptian lenders are not at a standing start. Several banks have made great headway in pushing sustainability to the fore. For example, CIB was a founding member of the UN's Net-Zero Banking Alliance (NZBA) and it is the only Egyptian to have issued a green bond. HSBC Egypt is similarly well advanced on its sustainability journey, as the bank has a dedicated ESG specialist on its risk team. The lender will also focus on making sure that its existing sustainability procedures match the CBE's new requirements and fill in any gap.



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