



MENA HOLDING (K.S.C)

Real Estate Weathers Challenging Times For Egypt



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Real estate in Egypt is a growing market. Homestrings investment platform estimates that the sector could grow by 70% from \$7.2 billion in 2012 to \$12 billion by 2020, in part fueled by an expanding population, which has soared from around 78 million in 2010 to nearly 85 million in 2015.

The most recent report by financial services firm JLL, focusing on the sector in Cairo, highlighted evidence of positive growth across the residential, hotel, office and retail sectors in the third quarter of 2015.

In the residential market JLL pointed out that there is currently a shortage of affordable housing, and there is a need for government investment to increase the opportunities for middle-income earners – plans are in place to make this happen over the next couple of years. Sales prices went down due to a drop in value for the Egyptian pound, but the rental market held up and is still going strong. There were 108,000 residential units in Cairo in 2015, compared to 74,000 in 2012.

The hotel market was looking at increased tourist numbers due, among others things, to the devaluation of the Egyptian pound, although recent events may have a short-term effect on how many people visit the country. Encouragingly, in August this year the occupancy rate was 53%, compared to 41% in August 2014.

There were 911,000 square meters of office space in 2015, up 138,000 from 2012, potentially in part thanks to improved economic conditions. Office rents in New Cairo in particular were up 28% in 2015 compared to the previous year.

Finally the retail market attracted foreign investment and some major projects are underway by U.A.E. developers Emaar and MAF. Delays in construction have slowed down new developments, but the amount of empty units in existing malls fell from 23% in 2014 to 17% in 2015.

As Egypt continues to suffer conflict, evidence of continued growth in one of its key markets is a positive sign that the country is moving steadily forward despite continuing to face social and political challenges. Supporting its commitment to a prosperous and peaceful future is its ambitious Vision for 2030, launched in March this year, which highlights a strategy for change and development for the benefit of all Egyptians.

Based on economic development, human capital and competitive markets, some key points of the strategy include achieving economic growth of 7%, reducing unemployment, increasing exports and maximizing local energy sources. The country also plans to improve education and healthcare, improving the quality of life for its inhabitants.

Work to bring this vision to life has already begun, with the New Urban Communities Authority recently announcing that 550 new housing projects in Egypt have been approved for 2016, worth around \$1.14 billion. However, according to Ventures Onsite, in 2014 over half of the mixed-used projects underway in Egypt were on hold.

One such project, for example, to build a new city covering a million square feet in south Giza, could house over a million people. A new housing project of this size could go some way to helping to ease the pressure in the many slums that are populating Egypt, bringing foreign investment worth billions of dollars into the country and supporting the tourism and industrial sectors.

With a strong vision for the future and opportunities lined up for further growth and expansion, Egypt could have prosperous times ahead, once ambitious new plans are able to move forward. Investors will be hoping for some progress soon.

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