

2022

# Egyptian real estate sector - overview



**THINK TANK EGYPT**  
— CONSULTING FIRM —

Think Tank Egypt - TTE

13/10/2022



**Report scope:** This overview report will shed light on Egypt's real estate sector, particularly the residential and commercial sectors.

**Introduction:** The real estate sector in Egypt is unlike any other in the region, the single biggest reason for this is the underlying demographics, The population of Egypt is more than 104 million and is growing at around **2% per year**, that is an additional **2 million** people every single year, Add to this, the fact that the population is extremely young, with many still yet to enter their prime earning and purchasing, not to mention an economy that was growing at over 5% per year before the pandemic and still managed an extraordinary **3.6% growth** in 2020 **3.3% in 2021** and expected to reach **5.5% by the end of 2022**, Real estate in Egypt has also been the preferred investment asset due to **inherent cultural preference**; in addition the Egyptian pound devaluation at the end of 2016, and expected a new devaluation in next quarter.

### Egypt economy indicators:

<i>Population:</i>	<i>104 M citizen</i>
<b>1-Economic indicators</b>	
<i>Purchasing power in USD.</i>	<i>\$ 1.562 trillion</i>
<i>GDP in USD.</i>	<i>\$ 404 B</i>
<i>GDP growth rate</i>	<i>5.5%</i>
<i>Gold reserve in Tons</i>	<i>125.02</i>
<i>Labor force</i>	<i>27834M</i>
<i>Unemployment Rate</i>	<i>7.2%</i>
<i>Budget deficit as percent of GDP</i>	<i>-6.1%</i>
<i>External debt</i>	<i>\$ 157801 B</i>
<i>Gov. debt as a percent of GDP</i>	<i>87.2%</i>
<i>FDI</i>	<i>\$ 7.3 B</i>
<i>Foreign currency reserve</i>	<i>33.197 B</i>
<i>Tax</i>	<i>22.5%</i>
<i>Personal income tax</i>	<i>25 %</i>
<i>Exports in USD.</i>	<i>\$ 40701 B</i>
<i>Imports in USD.</i>	<i>\$ 73781 B</i>
<i>Trade balance in USD.</i>	<i>\$ (-33079) B</i>

**Construction sector in a glance:** In 2021, the sector growth: **8% in 2021**, up from **3% in 2020**.

In 2022, growth is expected to be **10.4%**, the construction market is expected to grow at a **10.6% annual** average rate from 2023 to 2026.

**25,000** construction company working in Egyptian market ,**800** companies classified as first class contractor.

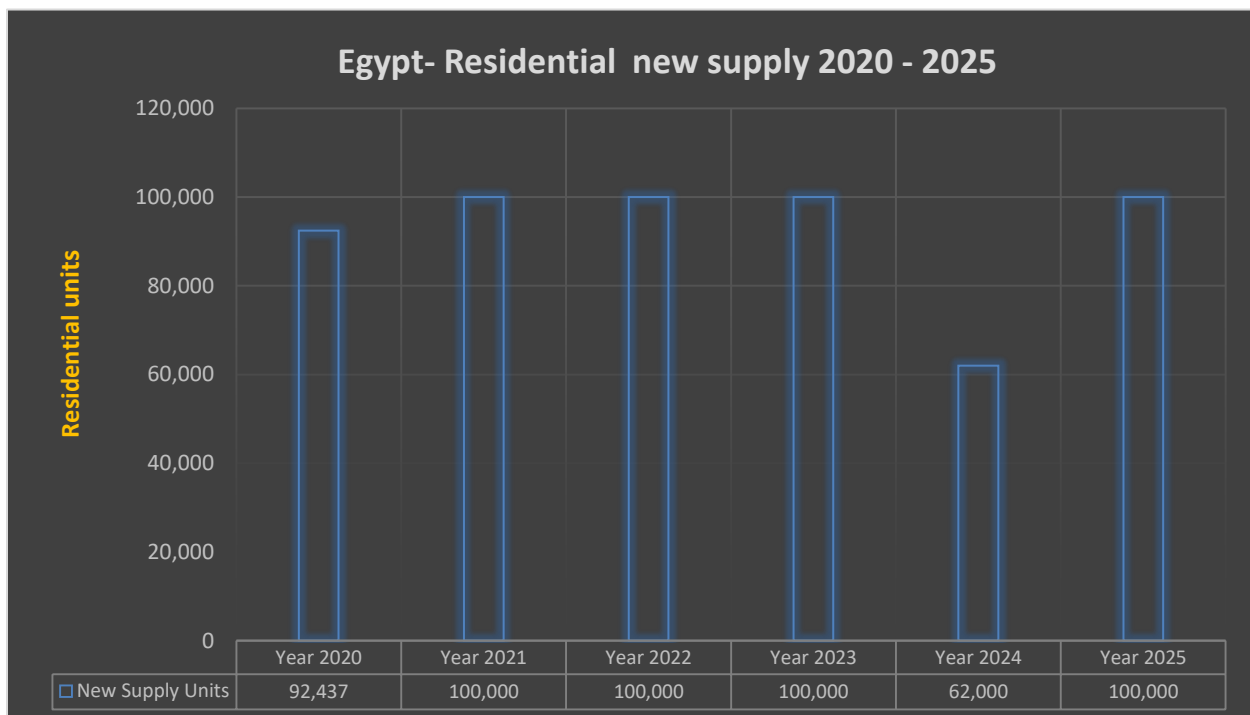


**Real estate market overview:** Market growth In April 2022, the demand index expanded by **19%** when compared year-over-year with April 2021, this growth was fueled by a continuous recovery from the COVID crisis, but more importantly by the sudden influx in demand during March 2022 which was triggered by the recent currency devaluation.

**Residential:** Meanwhile in the residential sector, the first three months of 2022 saw the completion of around **4000** units out of **25,000 units** are expected to be delivered over the remainder of this year. The current residential stock in Greater Cairo is estimated to be approximately **7.1 million** units of **43 million** units in Egypt until Dec 2021, while mixed-use developments (encouraging compact **development** in designated growth areas, innovative land use management, efficient multimodal) account for **4.2%**, the majority of Grade A units in New Cairo, which number an estimated **69.400 units**, the new apartments spread across a number of prominent developers such as Sodic, Palm hills, Emaar Misr and mountain view.

**Residential Demand** is expected to rise further in the coming years, driven by population growth.

### Residential supply:



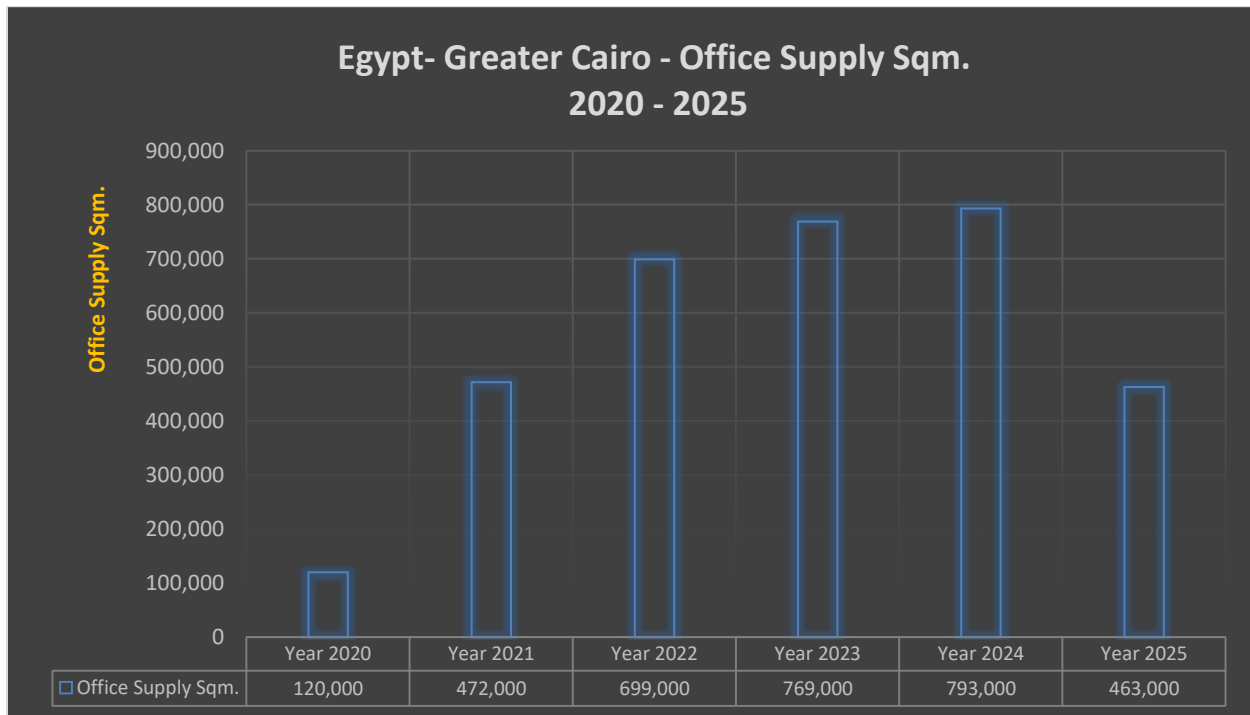


### Commercial:

**Demand for office space:** Large multinational corporations have been shifting away from Downtown Cairo and Giza toward office developments in Sheikh Zayed City and New Cairo in recent years.

**Office supply** is **1.8 million** square meters (end of 2021) and expected to reach **4.5 million** square meters by 2025. The majority of the upcoming supply of Grade A space is concentrated in the New Administrative Capital and New Cairo, where international tenants make up the majority of the demand. Business parks have grown in popularity among newly launched office projects, owing to their efficient space layout, generous car parking ratio for staff and visitors, and on-site retail and food and beverage services.

### Office space supply:



**As shown in the graph above the office supply in year 2025 will decline due to the following factors:**

The decline in FDI, especially that multinational corporates is the major target for the developers.

Due to the pandemic which resulting success in the experience of working from home

Many companies tend to reduce costs

The spread of office rental service for short period



**Retail demand:** In retail, the addition of around **32,000 square meters** of retail space in Q1 2022 compared to **27,000** Square meters in Q4 2021 brought Greater Cairo's total stock to almost **2.9 million square meters**, Greater Cairo, as one of the largest retail markets in the Middle East and North Africa, has a significant demographic advantage in driving regional demand. This is evident in annual retail sales exceeding **211 billion US dollars** in 2021, **223 billion US dollars** in 2022, with **254 billion US dollars** expected by 2025. The key to these figures is a large population and a growing and prosperous middle class. Furthermore, **65.2%** of the population is between the ages of 15 and 35.

### Retail supply:



**Real estate market drivers:** Because of Egypt's semi-devaluation, the uncertainty of the Egyptian pound's value, the Russian-Ukrainian war, and global political and economic tensions, it is expected that people (class B and c) will keep their savings in banks and convert a small portion of their investments into either property or gold at least in Q 1, 2 2023, as occurred in Q1, 2 2017 after November 2016 devaluation, and then the market stabilized and started to climb.

**Technology impacts on real estate market:** Egypt's New Urban Communities Authority (NUCA) is currently building **20 fourth-generation** cities on a total area of 243,600 hectares, expected to accommodate about **30 million** people and provide millions of jobs, the largest city is the New Administrative Capital, east of the capital Cairo. The fourth-generation cities are integrated in terms of the availability of services and advanced technologies in infrastructure and facilities.



### Data sheet:

**Yearly demand: 400,000** units

**Demand growth: 19%** in April 2022 compared to April 2021

**Yearly supply: 100,000** units, this huge gap due to **2%** annual population growth and **900.000** annual marriages, the Housing deficit was **2** million in 2021 and expected to reach **2.450** million by 2030

**Total real estate sales 2021:** EGP **198.7** billion

**Number of compounds in Greater Cairo: 1,157**

**Number of sold units by private sector in Greater Cairo 2021/2022: 47,000** units

**Construction material price index in 2022: + 22 - 28%**, The commodity price shock is pushing up prices of building materials in Egypt, local steel and cement prices soaring since the start of the Ukraine conflict, local manufacturers say that these price increases are necessary as they face soaring input costs, including the prices of key energy sources such as coal and pet coke.

**Real estate Price increase rate: 20 - 30%** in 2022, while land prices have increased by **30%**

**Average payment plan: 8** years

### Average prices:

Area	Description	Apartment prices/meter	Villa prices/meter
New Cairo	Avg. price inside compound	19,700	25,300
	Avg. price outside compound	13,000	23,000
New capital	Investor area	16,250	30,450
	R7	15,100	21,700
	R8	12,600	27,600
Shorouk city	Avg. price inside compound	13,300	19,000
	Avg. price outside compound	8,900	17,500
Shikh Zayed	Avg. price inside compound	19,800	24,300
	Avg. price outside compound	12,350	22,400
6 of October	Avg. price inside compound	14,000	22,000
	Avg. price outside compound	9,000	20,950



**Real estate financing by banks:** EGP **20.3** B Jan/June 2022

**Value of financial leasing contracts:** EGP **79.8** B in 2021 compared to EGP **58.9** B in 2020

**Value of financial leasing contracts in real estate sector:** EGP **8.7** billion Jan/Aug 2022 compared to EGP **8.1** billion in 2021.

**Value of discounted securities:** EGP **20.3** B in 2021 compared to EGP **11.3** B in 2020

**Mortgage industry growth:** **239%** in 2021

### **Some of mega projects:**

- 1- New capital: Akam- Misr Italia- TMG- La Vista- Better home- Tatweer Misr- Master Group)
- 2- Noor: (TMG)
- 3-New Zayed: (Sodic- Palm Hills- La vista- Dorra- Orascom)
- 4-Badya: (Palm Hill)
- 5- New October: (Al Ahly Sabbour- Mountain view El Hazek group- Mamaan el Mosrshdy- Amer group- Orascom- Aeon Marakez)

### **Top players:**

- 1- Emaar Misr ( top listed developer based on profitability)
- 2- TMG (top listed developer based on revenue)
- 3- Orascom
- 4- Sodic
- 5- AL-Ahly Sabbour
- 6- Dorra group
- 7- Tatweer Misr
- 8- Pam hills
- 9- Mountain view
- 10- Cairo capital developments