

## Government Reforms and Actual Effects on Real Estate

Government reforms play a crucial role in shaping the investment scene and the economy as a whole; reforms introduced starting Q4 2016 up until the current phase affected the real estate sector both positively and negatively, reshaping the society's mindset towards real estate investment and the developer's counter-offers to hedge against those changes

### Government Reforms

### Impact on Real Estate

Q4  
'16

 **EGP Floatation**



**Issuing 20% Return  
CDs (Certificates of  
Deposits)**



**Highest Inflation  
Rate in Egyptian  
History (35%)**



**Restrictions on  
International Money  
Transfers due to  
Shortage in Foreign  
Currency**

↑ Increase in Construction Cost by 40%  
 ↑ Increase in Selling Prices by 25%  
 ↓ decrease in local demand on properties despite partial purchases to hedge against the floatation and slight demand due to population base  
 ↓ Developers struggled between dealing with cash flow losses (driven by drastic increase in construction costs on the back of a hike in the prices of building materials by 20% to 100%) and proposing better payment terms to avoid the hike in prices effect on clients  
 ↓ The issued CDs and the restriction on money transfers hindered the flow of foreign investment in the country declining demand from gulf investors which drove developers to further increase prices to reach a higher than 20% return on their investments  
 ↑ increase in demand from Egyptians living abroad on all property types as prices halved for them or for local citizens who are paid in dollars

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Q4  
'17



**Introducing New  
Investment Law  
Amendments lowering  
Restrictions on  
International Money  
Transfers**



**Applying VAT**

↑ increase in demand from Gulf investors on the Egyptian market including real estate sector  
 ↑ increase prices of real estate properties

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Q1  
'18



**Decrease in Inflation  
Rate to reach 14.4%**



**Cancelling the 20%  
Return CDs and Issuing  
17% and 15% instead**

↑ Securing local and foreign investors' faith in the market

• No solid impact yet since the new CDs were introduced on February 15<sup>th</sup>, 2018; however, a positive impact on real estate investment is inevitable

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## Anticipated Further Reforms and Effect on the Real Estate Sector

The government is expected to further enhance investment laws to attract foreign investment particularly post signage of investment contract on February 1<sup>st</sup>, 2018 with the Entertainment World Company, for a joint US-Saudi Arabian investment project to establish a Disneyland-style amusement park worth US\$3.3 billion in Egypt evidencing the positive effect of the latest investment law amendments

### Expectations

#### Government Reforms



**Further Decrease in Inflation Rate by the end of 2018**



**Offering Lands to be Available for Real Estate Project**



**Further Foreign Investment Agreements on Governments Level**



**New Urban Communities Affiliate (NUCA) Actively Developing New Cities Across the Country**

#### Impact on Real Estate

↑ Increase of foreign investments in the Egyptian real estate sector

↑ Rise in local investments in the real estate market to hedge against possible inflation hikes

↑ Increase in real estate projects given the drop in interest on CDs

↑ Increase in demand on labor force; creating more jobs in the real estate sector especially in the mega projects

↑ Boost in non-residential real estate investments especially in the industrial projects

↑ increase in co-development agreements between the government and private real estate developers as part of the Public Private Partnership (PPP) system

↑ Boost the economic development through prioritizing road network construction (National Roadway Project)

### Coldwell Banker Commercial Advantage

CBCA is a full service commercial real estate company located in New Cairo, Egypt. The company specializes in commercial, industrial, retail, residential, land development, and real estate investment covering various services.

Our professional team enjoys significant investment, managerial, and real estate development experience acquired from global and regional powerhouses assisted by specialized in-house functional advisors, including, Engineering, Legal, HR, Finance, etc., in addition to the company's collaboration with top real estate experts/consultants who act as stakeholders on many tasks appointed by the company's esteemed clients. Such high level of experience and devotion will offer and result in the highest quality and perfect timing.



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Development Management



Market Research & Analysis



Start-up & Small Businesses



Capital Services



Corporate Services



Property Management



Landlord Representation



Investment Analysis



Distressed Assets



Tenant Representation

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