

There is an ongoing debate between Egyptian Real Estate developers and Economists about the real estate market and if it will ever become stagnant. Our role in this issue to assess the situation from a strategic consultant point of view, forecast how the market will deal with the price increase and identify several solutions.



“Real Estate sector is growing normally and responding to real demand” **Developers Said**



“Real Estate sector is going through a bubble that will end in disaster” **Economists Said**

Main Key Points Affecting the Real Estate Market



Egypt is the most populous country in MENA, and consequently offers a level of housing demand that is sustainable over the medium to long term

Real estate properties represent around quarter to third of Egyptian families’ wealth at middle and high-income classes and even more than that for lower-income classes.



Developers pay more attention to offer luxury and upper middle residential units with high prices, which results in a severe shortage in offering , middle class, lower middle and social housing units.

86% of units purchases are either for investment as hedging against inflation or for the next generations since prices are in constant increase.



Developers are offering extended payment terms exceeding the 10 years in some cases with 0% down payment to minimize the negative effect of the slowdown in the primary sales, while buyers interested to sell their already purchased units are facing a slowdown in the secondary market.

Real Estate bubble is not new to Egypt. The market has witnessed a few ones before, though it never crashed, with the worst being a multi-year slowdown in primary sales and a freeze in secondary sales without decline in nominal prices of units.



There is significant increase in lands offered by the government with the aim of collecting as much funds as possible as a hedge for budget deficit, consequently developers are offering numerous projects at a quick pace in the market, to collect cash to pay land installments in a short period.

Analysis & Conclusions



For Developers

- Small developers are expected to suffer severely due to their undercapitalization and lack of market recognition, and some will likely crash. On the other hand, large-scale developers will need to dig deep into their pockets to keep afloat and continue on market assessment to define client exact needs prior to development.
- There is a need to study projects deeply and ensure their cash flows are reasonable, and to ensure that they are properly capitalized with long-term funding that can allow them to absorb the stress of the bubble burst.
- Developers are advised to take ‘affordability’ levels as a main factor pre building projects, this does not necessary mean targeting an attractive ticket price only, but also attractive payment plans within well positioned communities.
- Given the tight schedules and high land & construction costs, developers should exert more effort in the pre-design phase of their projects in terms of market studies to cover demand, competitive advantage (uniqueness), and high marketing & sales techniques.



For Clients

- There is a need to decrease the portion of wealth allocated to real estate, as it is expected to witness real negative returns in the coming years.
- Focusing on mature projects by solid developers is the best practice, even if this will mean paying a premium.



For Government

- Monitor projects pre-launching to ensure that developers have enough capital to execute their projects and that such capital would be tied to the project through an escrow account dedicated to the project, handling all cash inflows and outflows.
- Support will be needed for current developers through targeted bank financing packages to avoid crash.

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