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Egypt

Real Estate Report

Includes 5-year forecasts to 2028

Contents

Key View

Key View: *The Egyptian economy is under increasing strain, with the Israel-Hamas war adding to the pressure. Despite the economic outlook, in 2024 rents are rising in local currency terms as Cairo, Alexandria and Giza experience increased demand for office, retail and industrial space. However, supply challenges persist across Cairo, Giza and Alexandria.*

The Egyptian economy was one of the most resilient during the Covid-19 pandemic and continued growing in fiscal years 2020 and 2021. In 2024, real GDP growth is set to rise by 3.1%, down from 3.8% y-o-y in 2023. Economic growth is boosted by rising investment from Gulf Cooperation Council countries, prompted by the privatisation plan and higher capital spending in key sectors. Throughout 2022 and early 2023, the Egyptian pound experienced several devaluations as part of the conditions set by the IMF for securing a loan. Consequently, the Central Bank of Egypt decided to float the Egyptian pound, aligning exchange rates in both official and parallel markets.

All three sectors of the commercial real estate market that we cover will see falling rental rates in US dollar terms in 2024, with rents typically down by 15%-22.0% y-o-y. However, the strength of the dollar is such that we continue to forecast growth in rental rates in most of the market in Egyptian pound terms. Over the medium term, however, a recovery in tertiary services gross valued added (GVA) should support demand for office space while we also forecast strong growth in manufacturing GVA, supporting the industrial office space market.

The Israel-Hamas war will exacerbate Egypt's economic challenges, and the war has already weighed on Egypt's exports. The economy is grappling with a number of other challenges; in particular the Russian invasion of Ukraine led to a surge in commodity prices, particularly of wheat, of which Egypt is a large importer. The Egyptian pound has experienced a series of devaluations and has depreciated sharply against the US dollar, making imports significantly more expensive. Meanwhile, consumer price inflation is high, forecast to average 26.0% growth in 2024, down from 30.9% y-o-y in 2023. The central bank has been raising interest rates, putting households under pressure and pushing up the cost of investment for firms.

In the short term retail demand is also likely to be dented by subdued growth in per capita disposable incomes in 2024, with imported goods in particular set to become more expensive. However, in the long term there is significant scope for the retail market to develop, as the sector moves away from informal retail, which is still very popular. Meanwhile, the large youth population will create long-term demand for modern retail space, which will drive the growth of the retail real estate market.

Giza's retail market is supported by the area's strong tourism market. Industrial rental rates are highest in Alexandria, a key port city, due to its industrial trade links with the Suez Canal and the oil and gas pipelines that run through the city. Over the longer term the development of new cities - the New Administrative Capital, New Alamein City and New Mansoura City - will provide a new supply of space for offices and industry, as well as other segments of the real estate market.

The industrial real estate market activity continues to be concentrated on the industrial hubs close to Alexandria and Cairo. Rental rates are expected to rise across all three cities but less so in Alexandria, which is a key port city for the country. In the long term, the growth of online retail will support demand for modern warehouse space.

Despite international and local crises faced by the country over the years (including revolutions, Covid-19, the Russia-Ukraine war, inflation and the threat of potential recession), Egypt has continued to implement its best efforts to improve the legal environment to attract foreign investors and regulate certain activities in the current climate.

We believe that the capital, Cairo, will continue to be the main focus of commercial real estate investment activity in the medium term with office space in the city set to remain considerably more costly than elsewhere. In the longer term the New Administrative Capital, just outside Cairo, will also be the focus of significant office demand. Nearby Giza has more moderate office and retail rental rates, although industrial rental rates are slightly higher than in Cairo.

SWOT

Real Estate SWOT

Strengths	Weaknesses
• Egypt is an officially designated 'Major Non-NATO Ally' of the US and maintains cordial relations with Russia, Mainland China and Israel as well as the Gulf markets. These relationships greatly reduce external security threats faced by Egypt and are generally conducive for foreign investment in Egypt's economy. • With a population of approximately 112mn, Egypt offers one of the largest consumer bases in the region, with huge long-term growth potential for retailers. Egypt is becoming increasingly urbanised, supporting the rise of modern retail formats. • Investor-friendly policies and investment law mean that commercial real estate investors benefit from a variety of available incentives. • The Shopping Centres Act, which was passed by the Egyptian government in 2018, eased legislation for the establishment of malls. The law requires that all new real estate projects include a commercial area, which makes it more appealing for retail developers to begin new projects.	• A lack of quality supply undermines occupier demand; a number of occupiers are resorting to alternatives such as expanding current premises or holding on for the arrival of fresh stock. • Corruption and bureaucracy levels are reportedly still high. • A weakening currency is making imports more expensive and reducing consumer spending power. The majority of Egyptian households, especially in rural areas, are also low-income consumers. • The large presence of the state and military-linked actors in the economy will continue to weigh on private sector development.

Opportunities	Threats
• A dearth of investment-grade assets and growing demand for prime income-producing assets provide room for capitalised developers. • The introduction of a new logistics facility in Cairo and the integration of more modern stock are boosting demand for industrial assets, placing upward pressure on industrial property rental rates. • Further ambitions to become a central logistics hub in Africa as evidenced by investment in road, port and airport projects. • Egypt retains some of the best tertiary education levels in the North Africa region, with growing emphasis on postgraduate qualifications for non-academic positions, coupled with an expanding services sector, provide opportunities for investment into office real estate.	• Renewed popular unrest and militant attacks, while less likely now than a few years ago, would damage business, consumer and investor confidence. The instability of the region and the country could negatively affect confidence in the industry, particularly if high levels of instability return. • The ability to tackle corruption is undermined by the weakness of institutions and the lack of transparency in government, which is unlikely to improve over the medium term. • Popular discontent towards the political system could derail the government's stabilisation attempts. • The Israel-Hamas war will exacerbate Egypt's economic challenges. The war added another layer of uncertainty for conducting business in Egypt, encouraging investors to adopt a 'wait-and-see' approach. It has also forced the government to suspend import-intensive projects, and created significant risks to the flourishing tourism sector.

Industry Forecast

Office Forecast

Key View: *We expect a slight acceleration in Egypt's real GDP growth to 3.1% in 2024, driven mostly by foreign investment through the divestment programme. We forecast that office rental rates in Cairo, Alexandria and Giza will increase in 2024 but will see a sharp fall in US dollar terms as Egypt grapples with high inflation and a tight monetary policy environment. Cairo and Alexandria are experiencing supply shortages in the office market which is putting upward pressure on rents. Over the medium term, an uptick in the services sector should boost demand for office space.*

Latest Updates

- In 2024, real GDP growth is set to rise by 3.1%, down from 3.8% y-o-y in 2023. The Israel-Hamas war added another layer of uncertainty for conducting business in Egypt, encouraging investors to adopt a 'wait-and-see' approach. It has also forced the government to suspend import-intensive projects, and created significant risks to the flourishing tourism sector.
- While office rental rates are set to rise in Egyptian pound terms, we forecast sharp falls in US dollar terms as a result of currency depreciation since early 2022. In all three cities that we cover the average rental rate is expected to fall by between 15-22.0% y-o-y in US dollar terms.
- The highest rents by far are in the capital, Cairo, with rents at the premium end of the market set to reach USD19.1 (EGP860.0) per sq m per month in 2024.
- Inflated rents due to exchange rate volatility have led to more tenants signing short-term leases and landlords offering contracts in US dollar terms. In 2024, we forecast that Egypt will continue to experience a rise in demand for flexible office spaces.

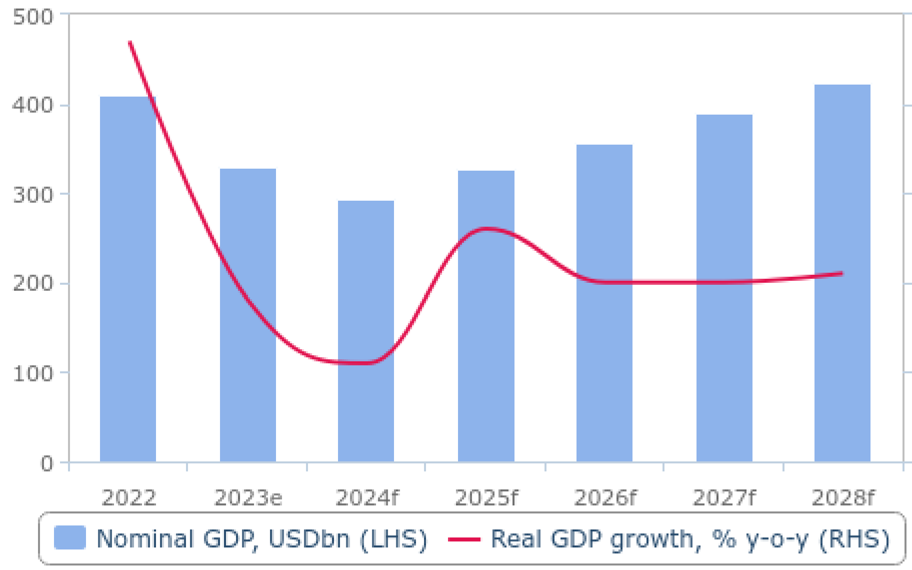
Structural Trends

The Egyptian economy was one of the most resilient during the Covid-19 pandemic and continued growing in fiscal years 2020 and 2021. In 2024, real GDP growth is set to rise by 3.1%, down from 3.8% y-o-y in 2023. Economic growth is boosted by rising investment from Gulf Cooperation Council countries, prompted by the privatisation plan and higher capital spending in key sectors. However, the Israel-Hamas war will exacerbate Egypt's economic challenges, and the war has already resulted in a significant drop in Egypt's gas imports from Israel, which is used for liquefied natural gas exports, thus weighing on Egypt's exports. The war added another layer of uncertainty for conducting business in Egypt, encouraging investors to adopt a 'wait-and-see' approach. It has also forced the government to suspend import-intensive projects, and created significant risks to the flourishing tourism sector

Despite a negative near-term outlook, continued attempts by the government to make the country a more attractive investment location will benefit the office real estate market in the long term. Egypt's office real estate market benefits from a number of large local and regional players, as well as government development plans. The Egyptian government is exerting itself to boost foreign direct investment diversification; one notable plan is the agreement to reactivate the USD16bn from the Saudi-Egyptian investment fund lists tourism, healthcare, pharmaceuticals, infrastructure, digital technologies, financial services, education and food as priority sectors and clean energy as highlighted by hosting COP27 in Sharm El Sheikh. In addition, the New Administrative Capital, north of Cairo, which will host government offices, a central business district (CBD), residential and cultural zones. In 2022, the number of announced greenfield projects in Egypt more than tripled, and Reportage Properties (based in the UAE) announced a real estate project for USD1.5bn.

Economic Growth Rebounding In 2025

Egypt - Real GDP Growth (2022-2028)



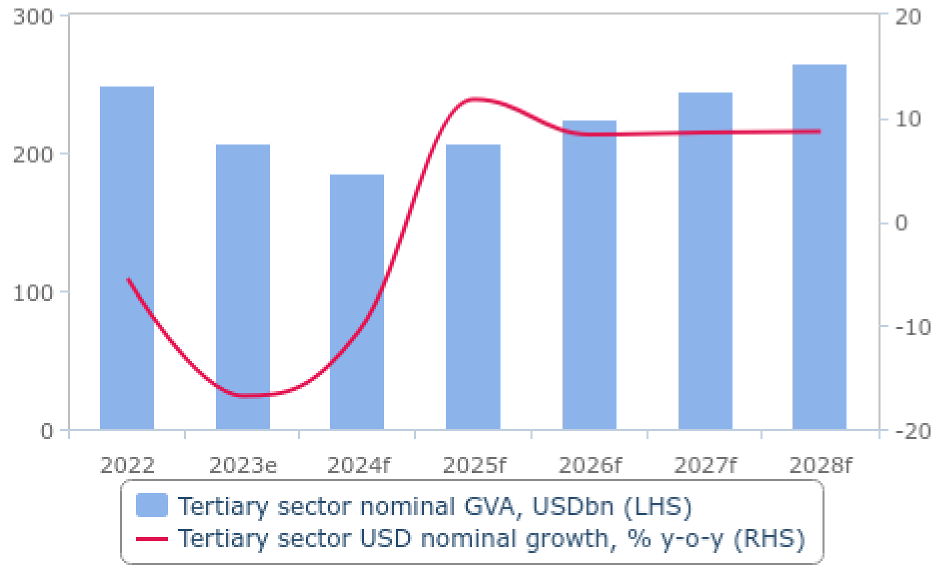
e/f = BMI estimate/forecast. Source: Central Bank of Egypt, BMI

Egypt's transport, business process outsourcing and ICT (information and communications technology) sectors are key areas for the country's economic growth and diversification path. Egypt benefits from a large pool of skilled graduates and low operating costs, which is an attractive combination for tertiary sector investors. The services sector represents over 50.0% of Egyptian GDP and employs more than half of the population. In 2023, call centres delivering outsourcing services are driving the majority of demand for smaller B grade office units, while multinational activity and new market entrants lay dormant. We estimate that tertiary sector gross value-added (GVA) declined in 2023, by 16.8% in US dollar terms, on the back of inflationary and monetary policy pressures, with the deteriorating outlook also leading to a decline of 10.6% y-o-y in 2024. Over the rest of our medium-term forecast period, an improving economic outlook will lead to a rebound in tertiary services GVA. Growth of 11.8% y-o-y is forecast in 2025 with manufacturing GVA reaching USD207.5bn .

Typically, service sector institutions require office developments close to key infrastructure and to CBDs that can offer a skilled workforce and transport efficacy. We believe that this will encourage strong demand for office developments in the areas around the New Administrative Capital and the New Alamien City development near Alexandria. For example in January 2023, it was announced that Saudi Arabia-based Magnom Properties and US-based publisher Forbes are to build an office tower in the New Administrative Capital. The tower, which will have 55 storeys, will be in the New Administrative Capital's CBD.

Uptick In Tertiary Services

Egypt - Tertiary Services (2022-2028)

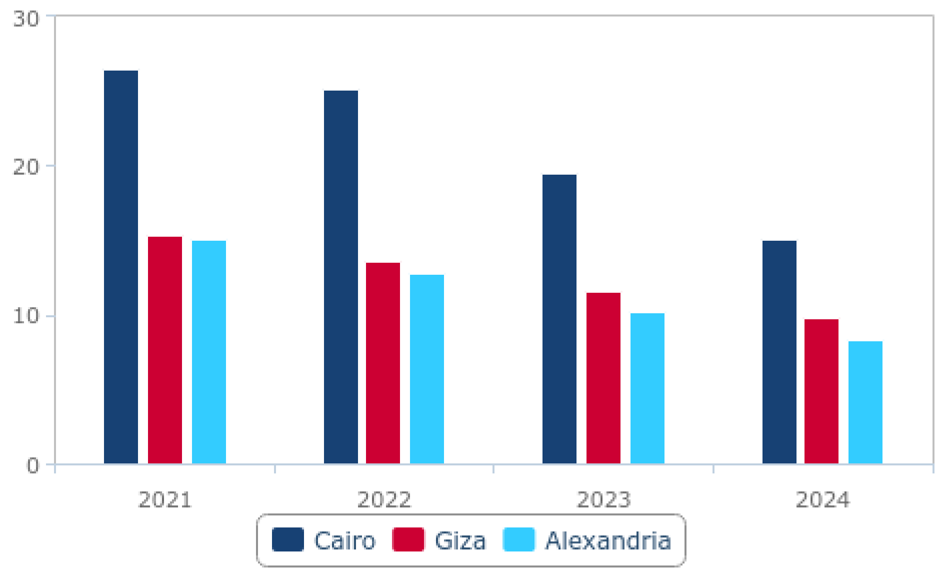


e/f = BMI estimate/forecast. Source: Central Agency for Public Mobilization and Statistics (CAPMAS), BMI

Cairo is the capital and commercial centre of Egypt and rental rates are falling sharply in US dollar terms. In Egyptian pound terms rents will continue to rise, but fall in US dollar terms due to a volatile exchange rate. Landlords have become more flexible with lease terms and asking rents particularly for sub-prime units; they are increasingly offering short-term leases for fitted offices as well as generous leasing terms for sizable developments. In 2024, average office rents in Cairo are forecast to fall by 22.6% y-o-y, after a 22.5% y-o-y drop in 2023, reaching USD15.1 per sq m per month. In 2024, rents at the lower end of the market will be USD11.1 per sq m per month, and rents at the top of the market rents will be USD19.1.

Highest Rents In Cairo Amid Supply Constraints

Egypt - Average Office Rental Rates, USD per sq m (2021-2024)



Source: BMI

Older developments dominate in Giza and this is seen as a deterrent to planning major office expansions by existing investors. The lower price point compared with Cairo is the result of more limited demand for space, from both domestic and overseas occupants. However, high traffic volumes and the congestion encourage some businesses to opt for the fringe districts which presents opportunities for developers and investors. We forecast a sharp decline in rents in Giza in US dollar terms in 2024, with the average rental rate down by 15.4% y-o-y to USD9.8 per sq m per month. This comes after a 14.8% y-o-y fall in 2023, and brings the average rental rate down significantly from 2022. In 2024, rents in Giza will range from USD7.1 to USD12.4 per sq m per month. As is the case in Cairo, in local currency terms we expect rising rents, but due to the effects of currency conversion rents are falling in US dollar terms.

Egypt - Office Rental Rates, Per Sq M Per Month (2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Cairo USD per square metre min	15.76	17.89	19.04	19.82	17.33	13.02	11.11
Cairo USD per square metre max	23.64	26.83	29.82	33.24	33.09	26.04	19.11
Average rent per square metre (USD)	19.70	22.36	24.43	26.53	25.21	19.53	15.11
% growth y-o-y	na	13.51	9.26	8.58	-4.97	-22.51	-22.64
Cairo EGP per square metre min	280.00	300.00	300.00	310.00	332.00	400.00	500.00
Cairo EGP per square metre max	420.00	450.00	470.00	520.00	634.00	800.00	860.00
Giza USD per square metre min	10.13	10.73	11.42	11.89	10.13	7.81	7.11
Giza USD per square metre max	14.92	16.10	17.45	18.92	16.99	15.30	12.44
Average rent per square metre (USD)	12.52	13.42	14.44	15.40	13.56	11.56	9.78
% growth y-o-y	na	7.13	7.60	6.71	-11.98	-14.77	-15.40
Giza EGP per square metre min	180.00	180.00	180.00	186.00	194.00	240.00	320.00
Giza EGP per square metre max	265.00	270.00	275.00	296.00	325.60	470.00	560.00
Alexandria USD per square metre min	9.29	10.14	10.79	10.99	9.13	7.49	6.67
Alexandria USD per square metre max	15.20	16.99	18.40	19.18	16.44	13.02	10.00
Average rent per square metre (USD)	12.24	13.57	14.59	15.09	12.79	10.25	8.33
% growth y-o-y	na	10.81	7.59	3.36	-15.24	-19.80	-18.74
Alexandria EGP per square metre min	165.00	170.00	170.00	172.00	175.00	230.00	300.00
Alexandria EGP per square metre max	270.00	285.00	290.00	300.00	315.00	400.00	450.00

na = not available. Source: BMI

In Alexandria in 2024, we expect the US dollar rental rate to decrease with the average rental rate down by 18.7% y-o-y. This comes after a 19.8% y-o-y fall in 2023. In 2024, the average rental rate will be USD8.3 per sq m per month, with rents ranging from USD6.7 to USD10.0. In general, the office market in Alexandria is currently stable owing to moderate demand and limited supply. Risks to rental rates in the city are to the upside due to rapid infrastructure development close to the city, particularly the construction of the New Alamein City which is approximately an hour from Alexandria, that could fuel a rise in demand in the office sector.

Egypt - Office Yields, % (2018-2024)

	2018	2019	2020	2021	2022	2023f	2024f
Cairo Net Yield %	10	8-10	8-10	8-10	8-10	8-10	8-10
Cairo Yield Spread %	-8.8	-7.5--5.5	-3.3--1.3	-1.3-0.7	-5.25--3.25	-10.75--8.75	-13.75--11.75
Giza Net Yield %	8-10	8-10	8-10	8-10	8-10	8-10	8-10
Giza Yield Spread %	-10.8--8.8	-7.5--5.5	-3.3--1.3	-1.3-0.7	-5.25--3.25	-10.75--8.75	-13.75--11.75
Alexandria Net Yield %	5-5.5	5-5.5	6-7	6-7	6-7	6-7	6-7
Alexandria Yield Spread %	-13.8--13.3	-10.5--10	-5.3--4.3	-3.3--2.3	-7.25--6.25	-12.75--11.75	-15.75--14.75
Egypt Interest Rate (%)	18.8	15.5	11.3	9.3	13.3	18.8	21.8

f = forecast. Source: BMI

Looking at yields, Cairo and Giza (both at 8-10%) will maintain the highest net yield, unchanged from recent years, followed by Alexandria (6-7%, also unchanged). Due to an increase in the average lending rate, spreads will remain increasingly negative in Cairo and move from between -10.75% and -8.75% in 2023 to between -13.75% and -11.75% in 2024, with Giza seeing a similar picture, and Alexandria moving from between -12.75% and -11.75% to between -15.75% -14.75%. In 2024, the office real estate market in Egypt is witnessing challenges stemming from local and international economic volatility. Over the longer term, as the economy recovers, we expect that there will be significant potential for expansion in the office real estate market, particularly as the growth of new cities creates more demand.

Retail Forecast

Key View: *With a population in excess of 100mn, Egypt offers one of the largest consumer bases in the MENA region, with huge long-term growth potential for retailers. In 2024, we forecast a rise in retail rental rates in Cairo, Giza and Alexandria in 2024, owing to increases in demand and restricted supply. We maintain the view that e-commerce is an area of strong growth, as more consumers gain internet access and final-mile logistics improve.*

Latest Updates

- We forecast a rise in retail rental rates in Cairo, Giza and Alexandria in 2024, owing to increases in demand and restricted supply.
- In Egyptian pound terms, rents will continue to rise, with rents at the premium end of the market seeing particularly strong growth. The highest rents will continue to be in Cairo, the capital and commercial centre, followed by Alexandria.
- High rates of food price inflation will be a key risk to consumer spending over 2024, driving consumers to refocus their spending towards essentials. Over the medium term (2023-2027) we project household income growth to outpace inflation.
- In July 2023, JD Sports announced plans to open 50 stores and spend GBP3bn in their Middle East expansion. The 10-year agreement will focus on locations in the UAE, Saudi Arabia, Kuwait and Egypt.
- In January 2024, Kuwait-based brand franchise conglomerate Alshaya Group announced the closure of dozens of its stores in Egypt, scaling back its operations significantly due to the economic crisis in the country. The company will close 60 shops including Debenhams (middle east), Mothercare and The Body Shop.

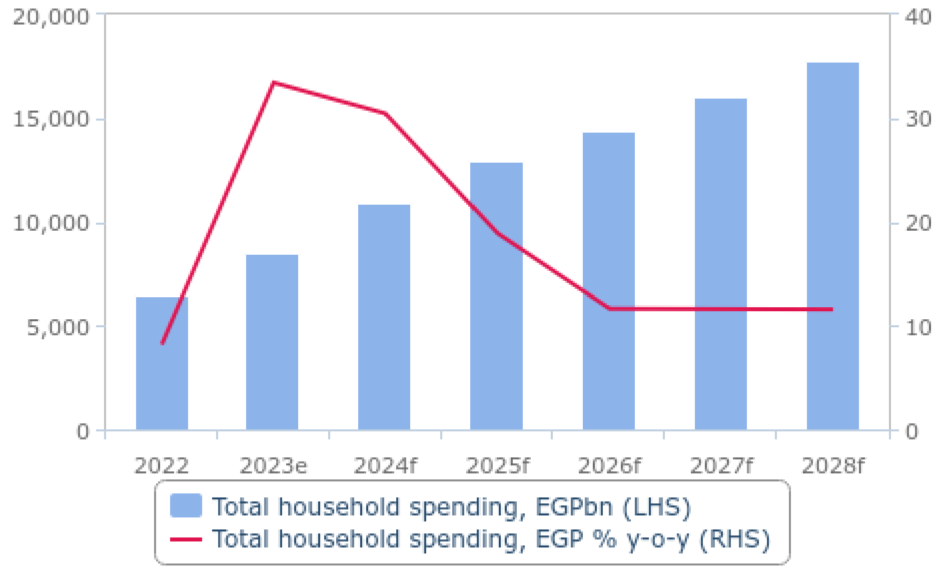
Structural Trends

Egypt is characterised as a high consumer market, where Egyptians like to go out and enjoy shopping and dining. The Shopping Centres Act, which was passed by the government in 2018, eased legislation for the establishment of malls. The law requires that all new real estate projects include a commercial area, which makes it more appealing for retail developers to begin new projects. International retailers continue to enter and expand in the country, particularly through franchise agreements with regional firms. Egypt's large, growing and youthful population is driving modernisation, resulting in growing demand for foreign brands across a number of sectors. The Egyptian retail real estate sector benefits from the continuing popularity of bricks-and-mortar stores, despite a recent rise in e-commerce.

With many Egyptians on low incomes, consumption is still focused on essential products, and informal retail is widespread, particularly in non-urban areas. Meanwhile over 50% of Egyptians still live in rural areas, further limiting exposure to and demand for modern retail. We expect total household spending to grow sharply by 30.4% y-o-y in 2024, down from 33.4% y-o-y growth in 2023. We expect growth to stay positive over the rest of the forecast period but to slow each year, reaching a still strong 11.5% y-o-y growth by 2028, when total household spending will reach EGP17.8trn. Overall in the long term, the trend is for the retail landscape to become increasingly formalised.

Declining Growth In Household Spending

Egypt - Total Household Spending (2022-2028)



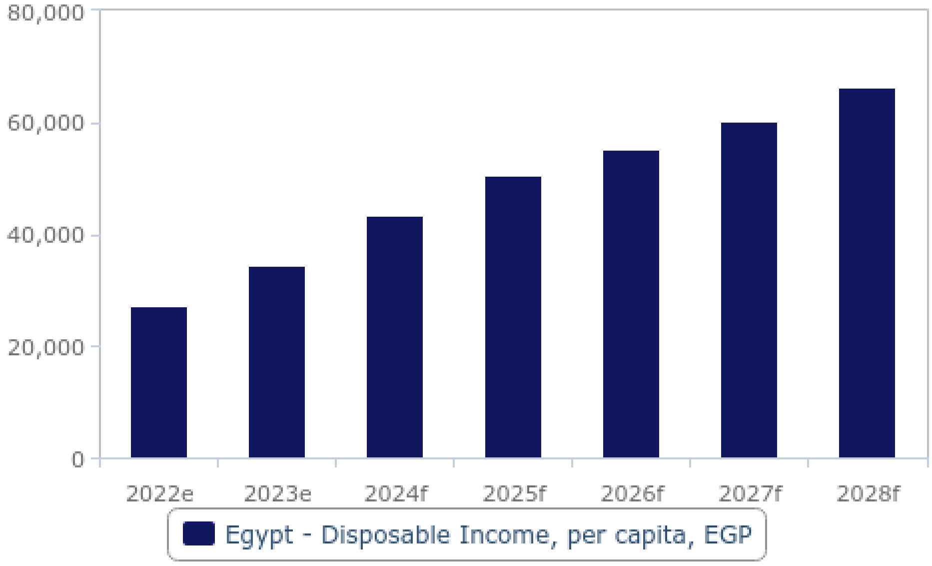
e/f = BMI estimate/forecast. Source: Central Bank of Egypt, BMI

From 2017 until the Covid-19 pandemic hit, Egypt's growth story was one of pent-up demand unleashed by increased macroeconomic and political stability. However, this progress has been dampened by surging inflation, rising interest rates and unfavourable base effects from higher spending in the previous two years. The Russian invasion of Ukraine has had a significant impact on Egypt, which is traditionally a large importer of Ukrainian wheat, pushing up the price of that staple and other commodities. Meanwhile, the currency has been devalued several times since early 2022, pushing the costs of imports up significantly.

In per capita terms, we forecast disposable incomes will rise from EGP34,468 in 2023 to EGP43,374 in 2024, and will reach EGP66,238 by 2028. However, the majority of Egyptian households, especially in rural areas, are low-income consumers, with average disposable income of less than USD10,000 annually. Our Consumer and Retail team estimates that as disposable incomes experience limited real gains in 2023 and imports become more expensive, spending will remain on essentials in the short term. However, over the medium term (2024-2028) we project household income growth to outpace inflation and this will serve to keep consumer spending growth positive in real terms, supporting a recovery in footfall in regional and super-regional malls.

Rising Incomes Will Support Retail

Egypt - Disposable Incomes (2022-2028)

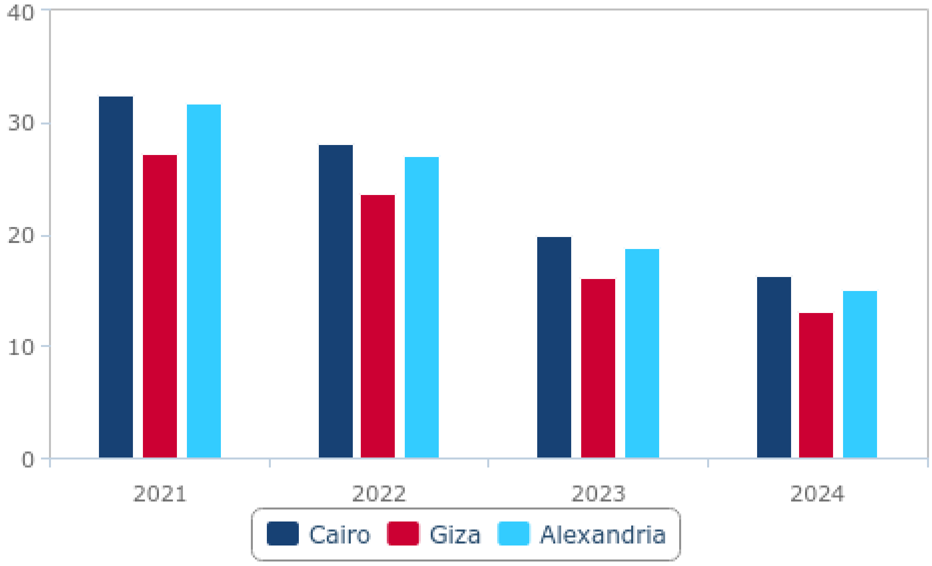


e/f= BMI estimate/forecast. Source: National sources, BMI

Cairo commands the highest retail rental rates, particularly at the prime end of the market. In 2024, we forecast a sharp fall in the average rental rate in US dollar terms due to the weak Egyptian pound, down by 17.8% to USD16.3 per sq m per month. This follows a drop of 29.5% in 2023, and brings retail rents down to range from USD9.8 to USD22.9. However in local currency terms, the rental rate for retail space in Cairo is witnessing an increase owing to increased demand and moderate supply. Average asking rents in Cairo's retail market are anticipated to increase in line with annual inflation rates. The market has seen increased activity in the e-commerce sector; however, industry experts believe that brick-and-mortar stores will maintain their position as the preferred method of shopping in Egypt.

Brick-And-Mortar Stores, Preferred Method Of Shopping In Egypt

Egypt - Average Retail Rental Rates, USD per sq m (2021-2024)



Source: BMI

Retail rents expressed in US dollar terms are also forecast to fall in Giza. In 2024 average rents are expected to fall by 18.6%, after a drop of 31.9% in 2023. This will take the average rental rate to USD13.1 per sq m per month in 2024, down from a USD16.1 in 2023. In 2024, rents will range from USD9.1 to USD17.1. However, as with Cairo we do forecast continued growth in Egyptian pound terms at the lower and premium ends of the market, due to increasing demand and limited supply.

Egypt - Retail Rental Rates, Per Sq M Per Month (2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Cairo USD per square metre min	20.82	21.47	22.53	23.01	19.57	13.02	9.78
Cairo USD per square metre max	36.58	38.76	41.12	41.87	36.74	26.70	22.89
Average rent per square metre (USD)	28.70	30.11	31.82	32.44	28.16	19.86	16.33
% growth y-o-y	na	4.90	5.68	1.94	-13.20	-29.47	-17.75
Cairo EGP per square metre min	370.00	360.00	355.00	360.00	375.00	400.00	440.00
Cairo EGP per square metre max	650.00	650.00	648.00	655.00	704.00	820.00	1030.00
Giza USD per square metre min	16.88	18.48	19.48	19.94	16.60	11.72	9.11
Giza USD per square metre max	29.55	31.60	33.50	34.52	30.74	20.51	17.11
Average rent per square metre (USD)	23.22	25.04	26.49	27.23	23.67	16.11	13.11
% growth y-o-y	na	7.87	5.78	2.78	-13.08	-31.91	-18.64
Giza EGP per square metre min	300.00	310.00	307.00	312.00	318.00	360.00	410.00
Giza EGP per square metre max	525.00	530.00	528.00	540.00	589.00	630.00	770.00
Alexandria USD per square metre min	22.23	23.85	25.38	25.89	21.29	14.98	11.11
Alexandria USD per square metre max	30.96	34.58	36.93	37.71	32.88	22.79	18.89
Average rent per square metre (USD)	26.59	29.22	31.16	31.80	27.09	18.88	15.00
% growth y-o-y	na	9.87	6.64	2.07	-14.82	-30.29	-20.56
Alexandria EGP per square metre min	395.00	400.00	400.00	405.00	408.00	460.00	500.00
Alexandria EGP per square metre max	550.00	580.00	582.00	590.00	630.00	700.00	850.00

na = not available. Source: BMI

Alexandria's economy revolves around the shipping industry, and a large and growing local population that supports growth in the retail sector. Despite this, many international retailers still opt for more popular markets such as Cairo and Giza. In 2024, the average rental rate for retail property in Alexandria is forecast to fall by 20.6% in US dollar terms, after a decline of 30.3% in 2023. In 2024, the average rental rate will be USD15.0 per sq m per month, with rents ranging between USD11.1 and USD18.9. As with the other two cities that we cover, there will be a rise in retail rents in local currency terms; rents at the lower end of the market and at the premium end of the market will increase. This is owing to increased demand and limited supply.

Egypt - Retail Yields, % (2018-2024)

	2018	2019	2020	2021	2022	2023f	2024f
Cairo Net Yield %	5-10	5-10	8-10	8-10	8-10	8-10	8-10
Cairo Yield Spread %	-13.8--8.8	-10.5--5.5	-3.3--1.3	-1.3-0.7	-5.25--3.25	-10.75--8.75	-13.75--11.75
Giza Net Yield %	5-10	5-10	7.5-10	7.5-10	7.5-10	7.5-10	7.5-10
Giza Yield Spread %	-13.8--8.8	-10.5--5.5	-3.8--1.3	-1.8-0.7	-6.25--3.25	-11.75--8.75	-14.75--11.75
Alexandria Net Yield %	5-10	5-10	6-10	6-10	6-10	6-10	6-10
Alexandria Spread %	-13.8--8.8	-10.5--5.5	--5.3--1.3	-3.3-0,7	-7.25--3.25	-12.75--8.75	-15.75--11.75
Egypt Interest Rate (%)	18.8	15.5	11.3	9.3	13.3	18.8	21.8

f = forecast. Source: BMI

Cairo maintains the highest net yield (8-10%), followed closely by Giza (7.5-10%), with Alexandria achieving a net yield of 6-10% in 2024, unchanged from previous years. In 2024, the yield spread is set to decrease in all three cities, with Alexandria experiencing the lowest value spread (-15.75% to -11.75%). Over the medium term operating conditions will improve in the retail market and the retail real estate sector, supported by improving household spending and also increased appetite for investment and development of new retail premises, spurred in part by the construction of Egypt's new cities, even as the online market begins to expand. Retail trade is expected to remain a key growth sector for Egypt, providing future expansion opportunities, and prime and super prime mall operators will continue to see strong demand and high footfalls.

Industrial Forecast

***Key View:** The outlook for the Egyptian industrial real estate market is upbeat, supported by government investment in infrastructure and the promotion of foreign direct investment into Egypt. In 2024, the rental rate for industrial property in Cairo, Giza and Alexandria is witnessing an increase owing to good demand, with some areas experiencing limited supply. Demand for industrial units is driven by manufacturing, e-commerce and third-party logistics providers.*

Latest Updates

- In local currency terms rents are rising amid increased demand for industrial space. However, we forecast a sharp decline in industrial rental rates in US dollar terms across the market in 2024.
- Goods imports will rise by 1.5% in 2024, up from a decline of 18.9% y-o-y in US dollar terms in 2023, partly attributable to the weakening of the Egyptian pound. Goods exports will fall by 0.8% in 2024, up from a decline 9.8% in 2023, due to falling hydrocarbon production.
- In November 2023, Schneider Electric announced an additional investment of USD8mn in Egypt. The investment includes an expansion of its flagship Badr factory located in the Eastern Area of Cairo. Schneider Electric specialises in energy management and digital automation.
- In October 2023, Egypt's trade and industry minister reported that Saudi firm SBC has proposed a USD32mn industrial land development. Sadat City, North West of Cairo, is reported to be one of the locations proposed for this project.
- The Safaga 2 terminal is expected to start operations in the second quarter of 2025, handling general and dry cargo of 5mnt and liquid cargo of 1mnt. Abu Dhabi Ports is investing USD200mn to upgrade its infrastructure. The funds will be used for the construction of superstructures, outfitting equipment, buildings and other real estate facilities as well as for the utilities network within the concession area.

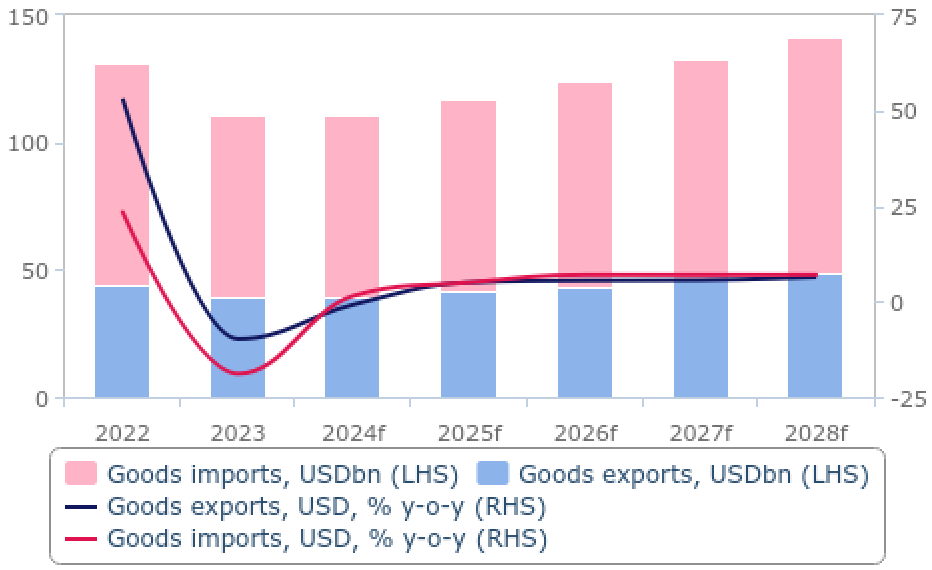
Structural Trends

The Sovereign Fund of Egypt (TSFE) is seeking to attract foreign direct investment (FDI) into a range of economic and social development projects through public-private partnerships. FDI in Egypt is concentrated in the oil and gas industry (around three-quarters of total investments), followed by real estate, manufacturing, financial services and construction. The industrial real estate market is set to benefit from the Egyptian government's effort to boost FDI diversification. Egypt's industrial base is boosted by the country's strategic location between Africa, Asia and Europe. The country's large population and well-established, diverse industrial base with a labour force internationally recognised for its high skills base at a low cost, attract businesses and investors.

In 2024, we forecast that goods imports will rise by 1.5%, up from a decline of 18.9% y-o-y in US dollar terms in 2023. Goods exports will fall by 0.8% in 2024, up from a decline 9.8% in 2023, due to falling hydrocarbon production. The Israel-Hamas war has already resulted in a significant drop in Egypt's gas import from Israel, which is used for liquefied natural gas exports, thus weighing on Egypt's exports. The war added another layer of uncertainty for conducting business in Egypt, encouraging investors to adopt a 'wait-and-see' approach. It has also forced the government to suspend import-intensive projects, and created significant risks to the flourishing tourism sector. Over the rest of our medium-term forecast period to 2028, as the economy recovers, import growth will stabilise to average 6.3% y-o-y, while export growth will be somewhat slower, averaging 5.6% a year.

Israel-Hamas War Weighs On Exports

Egypt - Goods Imports & Exports (2022-2028)



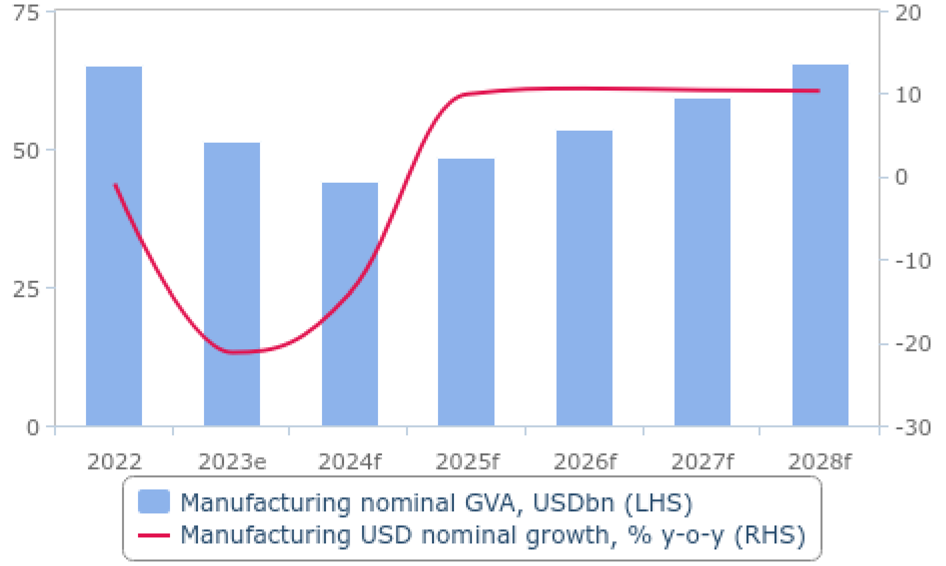
f = BMI forecast. Source: Central Bank of Egypt, BMI

Egypt's industrial base is boosted by the country's strategic location between Africa, Asia and Europe, a large population and a well-established, diverse industrial base with a labour force internationally recognised for its high skills base at a low cost. Together, these elements attract businesses and investors, although it can be a struggle to find opportunities for quality developments. The government's policy of special economic zones seeks to attract more business and FDI into the country through business-friendly regulations, more efficient administration, tax incentives and better infrastructure. The Suez Canal Zone (SCZone) has four unique zones focusing on different industrial and logistics areas, and six ports. The four zones in SCZone are Ain Sokhna, focusing on heavy industry and renewable energy; East Port Said, with a focus on light industry and logistics; Qantar West, which is logistics-focused, and East Ismailia, which is focused on agri-business, textiles and ICT.

In 2024, manufacturing nominal gross value-added (GVA) contribution is forecast to fall by 14.1%, up from a sharp 21.2% fall in 2023, as high interest rates and the weak Egyptian pound continue to make an impact. Over the rest of our medium-term forecast period to 2028, growth will rebound strongly and will remain above 10% a year. This level of growth leads us to expect solid demand from manufacturers for quality stock, boosted by the mass infrastructure construction taking place in Egypt as new cities are developed. We expect manufacturing GVA to reach USD65.4bn by the end of 2028.

Manufacturing Is Rebounding

Egypt - Manufacturing Output (2022-2028)

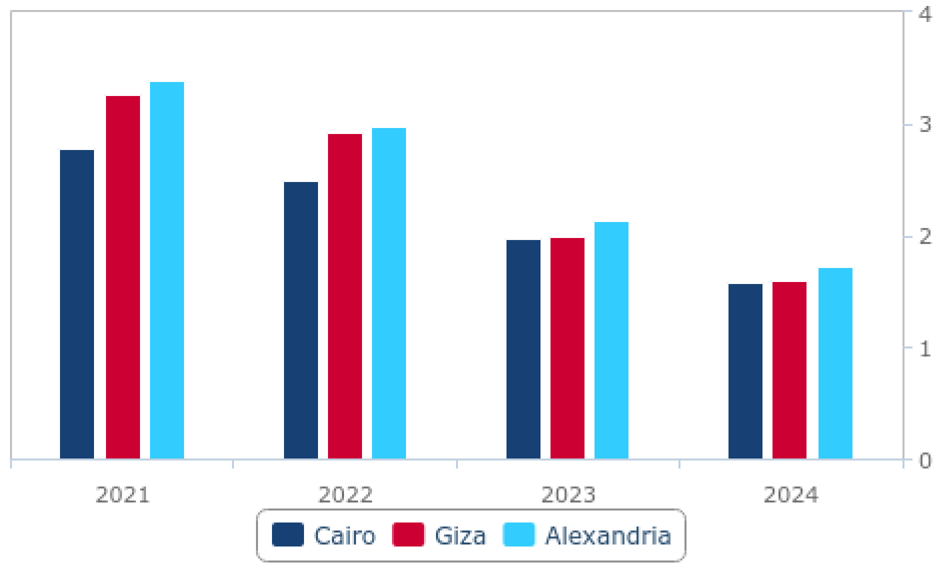


e/f = BMI estimate/forecast. Source: Ministry of Planning and Economic Development, BMI

Demand for industrial space in Cairo is driven by manufacturing, e-commerce and third-party logistics providers. Industrial rental rates expressed in US dollar terms will fall in the city in 2024, by 20.5%, to an average of USD1.6 per sq m per month. Rents will range from USD1.2 to USD2.0 per sq m per month in 2024. However, in Egyptian pound terms we see rents rising at the lower and prime end of the market. In the long term, opportunities for the market can be seen in the new dry ports being developed on the outskirts of the city. However, strong competition for these developments will most likely price out under-capitalised firms and limit the amount of new space to the open rental market.

US Dollar Rates Reflect Weak Currency And Inflation

Egypt - Average Industrial Rental Rates, USD per sq m (2021-2024)



Source: BMI

The limited supply of industrial real estate in Giza and rising demand levels are leading to a rise in rents in local currency, but as with other forecasts rents are falling in US dollar terms. In 2024, the average rental rate will fall by 19.4%, to USD1.6 per sq m per month. Over the year rents will range from USD1.2 at the bottom of the market to USD2.0 at the top.

Egypt - Industrial Rental Rates, Per Sq M Per Month (2018-2024)

	2018	2019	2020	2021	2022	2023	2024
Cairo USD per square metre min	1.63	1.79	1.94	2.05	1.77	1.43	1.18
Cairo USD per square metre max	2.81	3.04	3.33	3.52	3.20	2.51	1.96
Average rent per square metre (USD)	2.22	2.41	2.63	2.78	2.49	1.97	1.57
% growth y-o-y	na	8.63	9.05	5.59	-10.56	-20.80	-20.46
Cairo EGP per square metre min	29.00	30.00	30.50	32.00	34.00	44.00	53.00
Cairo EGP per square metre max	50.00	51.00	52.50	55.00	61.30	77.00	88.00
Giza USD per square metre min	1.74	1.91	2.09	2.17	1.88	1.37	1.24
Giza USD per square metre max	3.55	3.88	4.19	4.35	3.97	2.60	1.96
Average rent per square metre (USD)	2.65	2.89	3.14	3.26	2.92	1.99	1.60
% growth y-o-y	na	9.32	8.61	3.79	-10.34	-32.05	-19.43
Giza EGP per square metre min	31.00	32.00	33.00	34.00	36.00	42.00	56.00
Giza EGP per square metre max	63.00	65.00	66.00	68.00	76.00	80.00	88.00
Alexandria USD per square metre min	1.69	1.79	2.00	2.17	1.88	1.43	1.33
Alexandria USD per square metre max	3.55	3.94	4.25	4.60	4.07	2.83	2.11
Average rent per square metre (USD)	2.62	2.86	3.13	3.39	2.97	2.13	1.72
% growth y-o-y	na	9.36	9.19	8.40	-12.19	-28.32	-19.23
Alexandria EGP per square metre min	30.00	30.00	31.50	34.00	36.00	44.00	60.00
Alexandria EGP per square metre max	63.00	66.00	67.00	72.00	78.00	87.00	95.00

na = not available. Source: BMI

The port city of Alexandria has the highest industrial rents of the three cities that we cover. Stimulated by the expansion of the 200ft equivalent unit capacity at the port and the fresh infrastructure development taking place around the city, Alexandria remains the most popular location in terms of industrial real estate activity and demand. In 2024, average rental rates are forecast to fall in US dollar terms by 19.2%, to take average rents to USD1.7 per sq m per month; with rents ranging from USD1.3 at the lower end of the market to USD2.1 at the top of the market. As with the other two cities that we cover, we see continued growth in Egyptian pound terms, with lower-end rents and rents at the top of the market rising.

Egypt - Industrial Yields, % (2018-2024)

	2018	2019	2020	2021	2022	2023f	2024f
Cairo Net Yield %	5-7	5-7	6-9	6-9	6-9	6-9	6-9
Cairo Yield Spread %	-13.8--11.8	-10.5--8.5	-5.3--2.3	-3.3--0.3	-7.25--4.25	-12.75--9.75	-15.75--12.75
Giza Net Yield %	5-7	5-7	5-7	5-7	5-7	5-7	5-7
Giza Yield Spread %	-13.8--11.8	-10.5--8.5	-6.3--4.3	-4.3--2.3	-8.25--6.25	-13.75--11.75	-16.75--14.75
Alexandria Net Yield %	6-7	6-7	6-7	6-7	6-7	6-7	6-7
Alexandria Yield Spread %	-12.8--11.8	-10.5--8.5	-5.3--4.3	-3.3--2.3	-7.25--6.25	-12.75--11.75	-15.75--14.75
Egypt Interest Rate (%)	18.8	15.5	11.3	9.3	13.3	18.8	21.8

f = forecast. Source: BMI

Cairo (6-9%) will offer a slightly higher net yield range than Alexandria (6-7%), and Giza offers the lowest net yield range (5-7%) in 2024, with the net yield set to remain stable into 2024. However, the yield spread will move down in all three cities, with Cairo moving from between -12.75% to -9.75% in 2023, to -15.75% to -12.75% in 2024. While investment potential in the industrial sub-sector is limited by supply constraints, industrial stock in Alexandria presents the greatest opportunities for market integration and long-term investment.

Residential/Non-Residential Building

Key View: *In the near term, we expect hawkish monetary policy and high inflation to weigh on private investment and residential and non-residential construction growth in Egypt. The Israel-Hamas war poses significant downside risks for investment in non-residential construction, should the conflict escalate. In the medium-to-long term, government reforms and divestiture plans as well as an expected IMF programme will most likely support investor sentiment and investment in the buildings industry. As Egypt seeks to expand its manufacturing sector, we expect foreign direct investment in the industrial building sector to support overall growth.*

Latest Developments

- In December 2023, Midea Electric Group broke ground on its third industrial complex in the Sadat City industrial zone, Egypt. The facility, estimated to cost USD105.0mn, is expected to create more than 3,900 new job opportunities and drive exports. In 2020, Midea Group started expanding its product base by establishing several factories in October City and the Suez Canal Economic Zone to manufacture home appliances under the Midea and Toshiba brands.
- In November 2023, the General Authority for the Suez Canal Economic Zone (SCZONE) signed of a letter of intent (LOI) with Mainland China-based BEFAR Group to build an industrial green complex in the East Port Said Integrated Zone. The proposed complex, estimated to cost USD2.0bn, will be dedicated to the production of specialised chemicals. The initial phase is valued at USD500.0mn.
- In November 2023, Madinet Masr signed an extension to its existing memorandum of understanding with El Hazek Construction to construct the final phase of the Shalya project and the new headquarters (HQ) in Egypt. The extension has increased the contract's development value from EGP1.5bn (USD49.0mn) to EGP1.7bn (USD55.0mn). The 12,000sq m HQ is estimated to cost EGP400.mn (USD13.0mn) and Phase II of Shalya, spanning 12,140.6sq m, will cost EGP607.0mn (USD20.0mn). El Hazek Construction will complete the final phase of Shalya within 15 months and the HQ is due to be completed within 17 months.
- In November 2023, DP World Sokhna, a part of DP World, broke ground for its USD80.0mn logistics park in the Port of Sokhna, Egypt. The 300,000sq m logistics park will be integrated with the existing multipurpose terminal of DP World at Ain Sokhna Port to cater to logistics, trading, distribution and value-added activities. Phase I, valued at USD50.0mn, is expected to be completed by the end of 2024.
- In November 2023, Gold Era unveiled plans to build a new factory with a total investment of EGP1.0bn (USD32.3mn) in Cairo, Egypt. The facility is part of the firm's expansion and product diversification plans for 2024. The company will invest EGP500.0mn (USD16.1mn) to develop a facility for alloys and gold coins and another EGP500.0mn (USD16.1mn) will be allocated for the production of gold artifacts.

Structural Trends

In the near term, we expect hawkish monetary policy to weigh on private investment and residential and non-residential construction growth in Egypt. In the medium-to-long term, government reforms and divestiture plans as well as an expected IMF programme will likely support investor sentiment and investment in the buildings industry.

Robust Long-Term Housing Demand

Although residential housing remained subdued in 2020 due to the effects of the Covid-19 pandemic, the long-term fundamentals of Egypt's residential construction market remain favourable. The key underlying factors informing our long-term view are an economic diversification agenda allied to strong population fundamentals and an urbanisation rate growing at 2.0% a year. With a young and growing population of around 91mn, Egypt is the most populous market in the Middle East and North Africa region and offers a level of housing demand that is sustainable over the medium-to-long term.

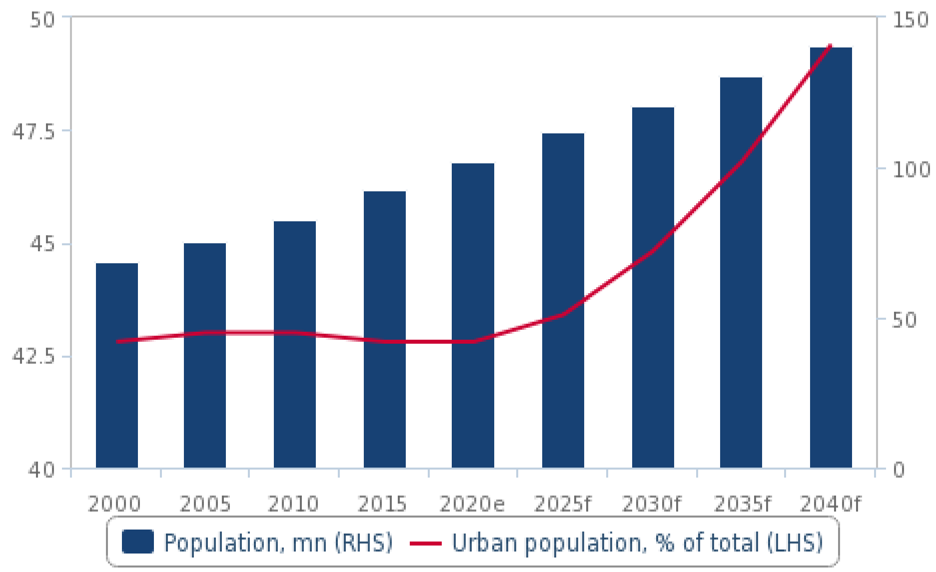
Factors such as the soaring rate of marriages in the country and rising levels of rural to urban migration add to this. Despite the potential, only 10% of Egypt's housing is supplied by professional property developers, with the rest built informally. While mid- to high-end property developments continue to spring up around the country, particularly around Cairo, developers have been largely unable to exploit pent-up demand from Egypt's poor.

Inability to match supply with demand has resulted in a housing shortage estimated at 500,000 units a year. A major factor behind the limited supply is the lack of low-income housing expertise among the country's largest housing developers as well as inadequate incentives to undertake low-income projects over more lucrative mid- to high-end developments. With an underdeveloped mortgage market (the share of mortgages to GDP is only 0.5%), there is little to attract private developers to the affordable housing sector.

The government is taking steps to address the issue. Egypt's residential sector will continue to derive support from government policy that aims to deliver social housing as a means to address the country's persistent housing shortage. As a point of reference, the governorate of Cairo provided 7,380 housing units to slum-dwellers in the Mokattam district as part of the third phase in the Al Asmarat slum-dweller project. The project, estimated to cost about EGP14.0bn (USD769.1mn), aims to relocate citizens from slum areas to residential units. Then prime minister Sherif Ismail Mohammed unveiled plans for a USD1.6bn project to develop the Sinai, Portsaid, Ismailia and Suez governorates. The Sinai Development Authority, together with the Ministry of Housing, plans to build 5,000 houses. The water reserve network in El-Arish and electricity networks in Rafah and Sheikh Zuweid will also be replaced.

Housing Demand Driven By Demographic Growth

Egypt - Population & Urban Population



e/f = BMI estimate/forecast. Source: Local sources, BMI

The rise in investment in manufacturing industries and key infrastructure projects through the development of special economic zones is one emerging area of investment for the country. Infrastructure development continues to gain traction. Egypt has established an economic area in the SCZone with business-friendly regulations (such as more liberal and more efficient administration), tax incentives, the facilitation of registration and customs procedures, and better infrastructure.

The SCZone has four unique zones and six strategically located ports. The four zones are:

- **Ain Sokhna:** Set aside for heavy industry and renewable energy manufacturing (being near Egypt's windiest region).
- **East Port Said:** Allocated to light industry and logistics.
- **Qantara West:** A coastal area reserved for logistics.
- **East Ismailia:** Targeted at agri-business, textiles and ICT industries.

Main incentives include:

- reduced income tax rates for businesses and individuals
- a one-stop shop for completing bureaucratic procedures
- special customs services
- proximity to ports

Macroeconomic Forecasts

Slightly Better Growth Prospects In Egypt In FY2024/25

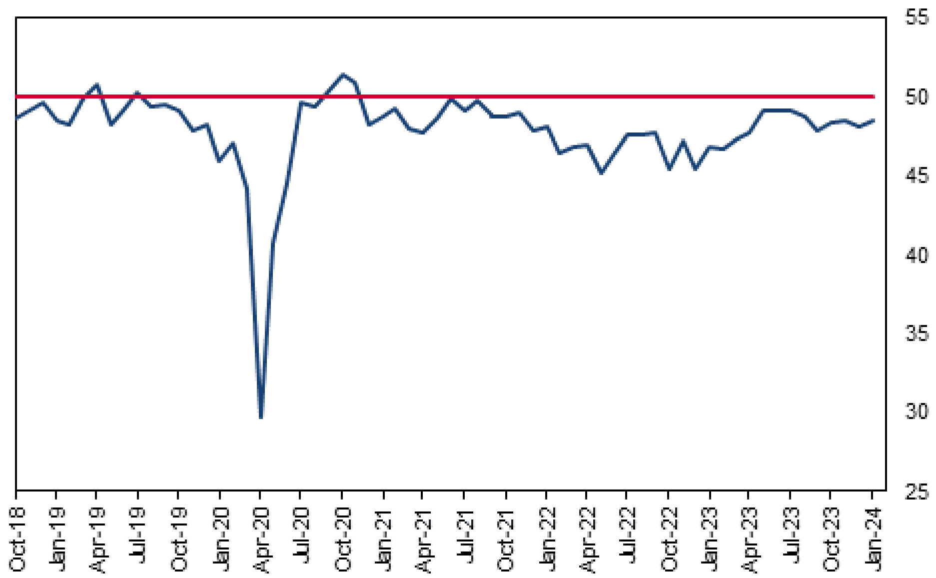
Key View

- We now expect Egypt's economic growth will pick up from 3.2% in FY2023/24 to 4.2% in FY2024/25 largely driven by private consumption on the back of higher social spending and higher remittance inflows.
- A new IMF programme (which we expect in Q1 2024) and the associated funding will help address the imbalances in the FX market and reduce uncertainties, supporting private and foreign investment, especially through the privatisation programme.
- While the performance of the tourism sector performance will remain resilient, activity through the Suez Canal will pick up, and the weaker currency will increase export competitiveness, although falling hydrocarbon exports will weigh on the external sector.

We expect that Egypt's economic growth will slow from 3.8% in FY2022/23 (June 2022-July 2023) to 3.2% in FY2023/24. Whereas we were expecting an acceleration in Egyptian growth to 4.2% in FY2023/24 previously, we now foresee a slowdown in growth. This is for three main reasons. First, real GDP growth in the first quarter of the current fiscal year, came in at 2.7% y-o-y, significantly below our estimate of 3.9%. High frequency data point to a sharper contraction in private sector activity, amid soaring inflation and FX imbalances (*see charts below*).

Sharper Contraction In Private-Sector Activity From Challenging Operating Environment

Egypt - Purchasing Managers' Index



Note: Values below 50 signal worsening conditions from previous month. Source: S&P Global, BMI

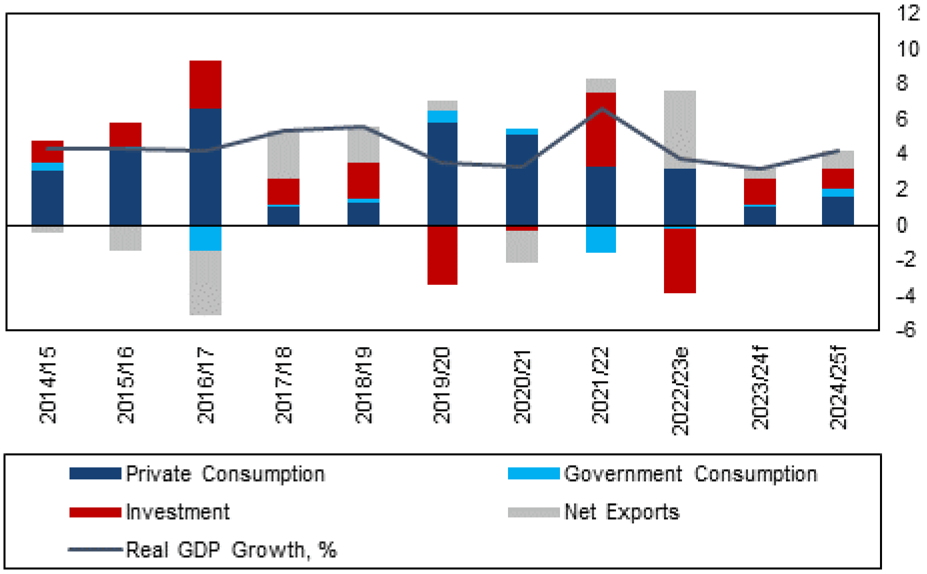
Second, we previously thought that stronger investment activity would offset the slowdown in private consumption growth, but foreign investment in Q2 FY and so far in Q3 FY has been below our expectations with only a few deals announced under the auspices of the privatisation programme. At the same time, the authorities have scaled back their investment in mega projects to comply with an IMF requirement and to further reduce the import bill as these projects are capital-import heavy.

Third, the disruption to shipping routes around Bab al-Mandab has reduced traffic through the Suez Canal by about 40%, which will weigh on export receipts (the Suez Canal generated 11.8% of Egypt's nominal exports of goods and services in FY2022/23, equivalent to about 1.5% of real GDP). We estimate that lower traffic through the Suez Canal will shave off about 0.3 percentage points from Egypt's GDP in Q3 FY2023/24. On a slightly more positive note, the tourism sector has proven resilient to spillovers from the Israel-Hamas war, and LNG gas exports have slightly increased, although they remain well below historical trends. These two developments have prevented a further reduction in the Egyptian growth forecast.

In FY2024/25, we expect Egypt's real GDP growth will slightly pick up to 4.2%. Our forecast is broadly in line with the Focus Economics consensus of 4.1% and is below Egypt's 10-year pre-Covid average of 4.8% and above the five-year pre-Covid average of 3.8%.

Only A Slight Pick Up In Activity

Egypt - Components Of Real GDP Growth, pp contribution



e/f = BMI estimate/forecast. Source: MPED, BMI

Private consumption will be the main driver of growth in FY2024/25 largely due to higher social spending. On February 13, Parliament approved a EGP180bn (1.2% of GDP) social protection package that entailed among other measures a 50% increase in the minimum monthly wage to EGP6,000 starting on March 1 2024. The current minimum wage in US dollars is USD97.0, but will still come in at USD133 even when the exchange rate depreciates to EGP45.0/USD in the short term and still reach USD120 when the exchange rate reaches EGP50.0/USD over the medium term (almost 25% above current levels). At the same time, we expect remittance inflows will continue to rise, driven by a robust non-oil economy in the Gulf Cooperation Council countries, which host a large Egyptian expatriate community. This will support domestic demand for goods and services.

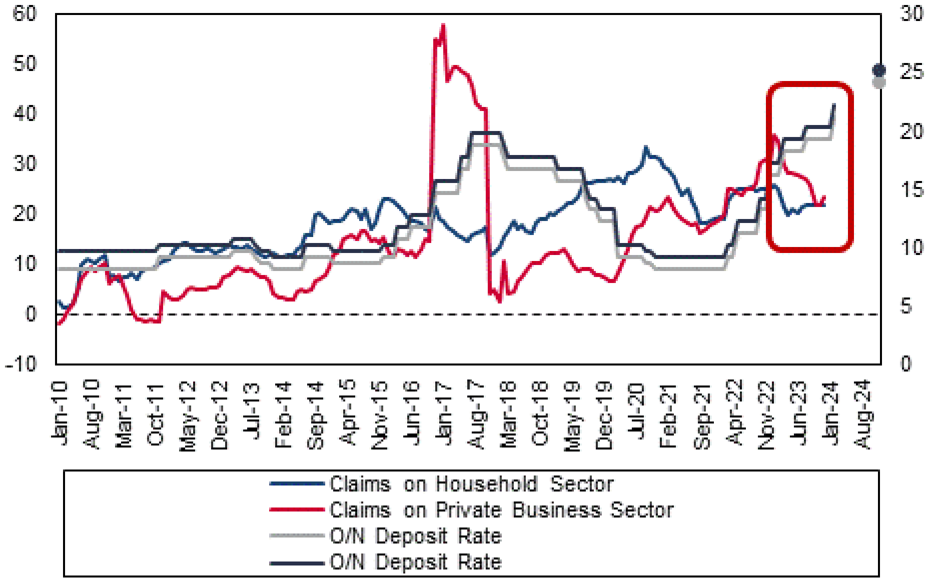
However, the acceleration in private consumption growth will be modest, picking up from 1.2% in FY2023/24 to 2.0% in FY2024/25, as we expect the Egyptian pound will lose about 40.0% of its value against the US dollar in 2024, which will keep inflation around 30% throughout the year. This, along with higher borrowing costs and the erosion in the value of savings, will cap the increase in private consumption in FY2024/25.

Foreign and local private investment will drive investment activity in FY2024/25, but hurdles will persist. We think that a new IMF programme (which we expect in Q1 2024) and the associated funding will help address the imbalances in the FX market and reduce uncertainties. This will allow the local private sector to plan ahead and will encourage foreign investors to acquire stakes in state-owned entities due to better pricing and lower FX risks. Deals include the sale of the Army-owned Wataniya, Jabal Al-Zayt Wind Farm (USD300mn) and the Beni Suef Power Plant (USD2.0bn).

However, investment activity will face headwinds from subdued domestic demand, as well as from elevated borrowing costs due to tighter monetary policy and the cutback of subsidised lending schemes. This has been compounded by the banks' reduced appetite to lend to some economic sectors, such as real estate and tourism, due to high risks of loans becoming non-performing. Not only has credit to the private sector has been declining (*see chart below*), but the fall in real terms has been sizeable, contracting by 11.0% in December 2023. At the same time, we expect that the authorities will continue to exercise restraint on public capital spending under the IMF programme, which will cap total investment growth.

High Borrowing Cost Prohibiting Lending

Egypt - Credit Growth, y-o-y % & Policy Rates, %



Note: dots represent end-of-year policy rate forecasts. Source: Macrobond, CBE, BMI

Finally, the external sector will display a mixed performance skewed by a decline in hydrocarbon exports. Declining production at the Zohr gas field will continue to limit Egypt's LNG gas exports over the coming quarters. This is despite our expectations for the normalisation of gas imports from Israel. This will weigh on hydrocarbon exports which accounted for about 40% of nominal exports. In contrast, non-hydrocarbons will benefit from stronger competitiveness due to the currency devaluation, but the gains will be capped by weak external demand. Meanwhile, we expect tourism activity will remain strong, with the number of tourist arrivals increasing by 6.7% to 15.9mn in 2024 underpinned by an expanded tourism offering and a diversified pool of source markets. However, this will be much slower than the 26.8% growth registered in 2023. On the plus side, by July 2024, Suez Canal is expected to have normalised, providing support for services exports.

Risks to the outlook are skewed to the downside. If the Egyptian pound weakens beyond our current expectations, then this will further fuel inflationary pressure and erode purchasing power. At the same time, delays in the materialisation of foreign investment will further slow investment activity and in turn overall economic growth. Meanwhile, if the Israel-Hamas war and the Red Sea crisis drag into FY2024/25 (not our core view), this will prompt us to reduce our growth forecast for the year.

Market Overview

Egypt's Economy Faces Challenges

Government efforts to increase foreign investment and boost private sector activity in the economy should prove positive for the commercial real estate market; however, in the short term macroeconomic challenges will reduce investor confidence. New bankruptcy and insolvency laws should provide a buffer for firms looking to expand into the commercial property sector. As the governments continues its efforts to attract foreign direct investment (FDI) and streamline regulations, we expect to see more real estate investment trusts (REITs) coming online.

We forecast an increase in Egypt's economic growth in 2024 but growth will remain weak by recent trends. The effects of the Russia-Ukraine war on the Egyptian economy has already been severe, with soaring inflation prompting an aggressive monetary tightening cycle and devaluations, as well as depreciation, of the Egyptian pound pushing import prices up significantly. The Israel-Hamas war is exacerbating Egypt's economic challenges, as the war adds another layer of uncertainty for conducting business in Egypt.

Investment into hydrocarbons and public infrastructure is ongoing and will remain a key driver of headline growth in Egypt over the long term, creating opportunities for firms in construction and heavy industries, as well as supporting industries such as transport, banking and financial services.

Commercial Real Estate Growing In The Long Term

New bankruptcy and insolvency laws should provide a buffer for firms looking to expand into the commercial property sector. In recent quarters, the rate of corporate insolvencies has reduced, largely due to the new laws and a more supportive business environment. Meanwhile, as the economy continues to recover, we expect strengthening trade ties between Egypt and Mainland China, as the latter's Belt and Road Initiative includes massive development plans for the Suez Canal area. China has stated its interest in providing Egypt with a trade stimulus package, opening the door for the development of new industrial and manufacturing facilities that will benefit the industrial property sector.

In the long term the strength and overall situation of Egypt's commercial real estate sector will encourage investment in the market. In particular the ongoing development and construction of 20 new cities and the development of the 23 existing new cities will promote investment. The new cities provide potential investors with attractive, large-scale real estate project opportunities, including in the New Administrative Capital, New Alamein City and New Mansoura City, to name a few. Demand is predominantly for income-producing office and retail assets, though there is increasing interest in industrial facilities on the back of positive market conditions.

Foreign direct investment has been a major driver of market investment, and we expect this to continue as domestic institutions adopt strategies to mitigate economic risks, both global and domestic. We believe that the authorities' business-friendly reforms to improve the business environment and increase the private sector's participation in the economy, along with the materialisation of more than USD25.0bn in investment pledges by the UAE, Saudi Arabia and Qatar will partly offset slowing public investment. But more is needed to attract additional foreign investment, reduce the footprint of the state in the economy and improve the business environment.

REITs In Egypt

While REITs have been prominent in western economies for decades, in Egypt their introduction is recent. REITs can help the real estate market in Egypt by providing investors with diversified ways to invest in real estate while owning a variety of properties, which helps to reduce risk. For several years, there has been only one real estate investment fund traded on the Egyptian Exchange, which is the Egyptians Real Estate Fund, which has not yet been fully activated because of the absence of laws regulating real estate investment funds. In December 2022, Banque Misr, in partnership with Banque du Caire, Misr Insurance Holding, and Allianz Egypt, launched a real estate investment fund, named the Misr Real Estate Investment Fund 1. In October 2022, there have been talks of the introduction of a new REIT by Naeem Holding, although there are no further updates at the moment. Until the proper framework and regulatory environment is established, Egypt's REIT market will continue to be undeveloped. Egypt's real estate market is vast and there is enormous potential for growth in the REIT sector. As the government continues its efforts to attract FDI and streamline regulations, we expect to see more REITs coming online.

Competitive Landscape

Local and regional firms will continue to dominate Egypt's commercial real estate market in the short-to-medium term. However, in the long term, we expect that a more welcoming attitude to foreign investment will lead to a rise in international interest in the Egyptian market.

Property Developers

Egyptian Resorts Company (ERC) focuses on the tourism industry. Transparent financial reporting and substantial project developments mean that investors and developers are interested in forming partnerships with it. ERC has a landbank of 32mn sq m, which provides a large proportion of the firm's income. However, the downturn in the global tourism industry poses some risks for the firm. In 2022 the firm posted consolidated net profits attributable to the parent company of EGP113.88mn, up from a loss of EGP62.08mn in 2021. Standalone revenues grew from EGP90.08mn in 2021 to EGP103.66mn in 2022.

ERC's current focus is the development of the Bay of Sahl Hasheesh on the Red Sea and on delivering effective infrastructure for its assets, as this will pave the way for greater revenues and higher confidence from international partners. Sahl Hasheesh is near the airport at Hurghada, one of Egypt's key tourist gateways. Development of the area includes almost 12.5km of beachfront (about four times the length of Nemaa Bay at the well known Sharm el-Sheikh resort). The development will include more than 850,000sq m of retail space and more than 385,000sq m of office space.

Saudi Egyptian Developers (SECON) is a joint stock company established in 1975 by an agreement between Egypt and Saudi Arabia. Its primary concern is in investments and construction in the broader real estate sector. This includes residential and commercial buildings, utilities and services. It has diversified into the tourism industry. SECON does not publish financial information regularly. This, and a lack of transparency, makes foreign investment uncertain for the foreseeable future. In 2019 SECON launched its 2,000-unit Bleu-Vert residential project in the new capital at a total investment of EGP10bn. Other projects include Jayde New Cairo, Sawary Alexandria and Latin District New Alamein.

TMG Holding is a holding company for the Talaat Moustafa Group and has a significant presence in the residential real estate market. Recent portfolio diversification into hotel and resort projects creates potential for more retail space. TMG says that it is a pioneer in development of luxury hotels and associated tourism infrastructure. The group is working on the Open Air Mall in Madinaty, Egypt. In 2019 the first two of eight planned buildings in the mall opened. In 2022 the group reported new net sales of EGP33.2bn, driven by strong demand in projects that have already been launched, particularly from the retail market, with the hospitality sector also proving to be strong. Notably, retail space in the group's city projects became available, such as at Gateway Mall in Al Rehab City and the All Seasons Park and East Hub Malls in Madinaty.

In January 2021 TMG subsidiary Arab Company for Urban Investment signed a contract with the New Urban Communities Authority of Egypt to acquire 21.0sq km of land for the construction of a EGP500bn (USD32bn) mixed-use project in Capital Gardens near the New Administrative Capital, Egypt. The project will include the construction of 140,000 residential units on 10.1sq km of land, with villas and buildings covering 45-50% portions of the residential area. The project will also include the construction of police stations, hospitals, schools, universities, commercial and industrial spaces, and entertainment areas, according to a press release from the group.

IMKAN misr, rebranded from the name Capital Group Properties in 2019, was established in 2015 with the aim of creating affordable, sustainable integrated communities in Egypt. It is owned by Abu Dhabi Capital Group and Al Ain Properties, global developers with diversified investment portfolios and an extensive land bank of locations worldwide.

Founded in 1990, Saudi Arabia-based Fawaz Alhokair entered the Egyptian market in December 2010 with the launch of Mall of Arabia. With the success that followed the launch, the group invested extensively in the retail development sector. In mid-2022 the group said that it planned to develop two new residential and commercial projects in the country.

Property Managers

Al Ahly Sabbour was founded in 1994. The National Bank of Egypt has a 40% share and the Sabbour family has 60%. Its projects are spread across Egypt, from Cairo and its satellite cities to the Red Sea and the north coast. The company operates in commercial, residential and tourism real estate. It established a management arm ECETA Management Services in 1999. Key projects include The Square, a 404,685sq m retail/commercial development in New Cairo. Another key project is Il Centro, with retail and restaurant space, in one of Sharm el-Sheikh's business districts. In April 2021 Sabbour Developments and the UAE's Reportage Properties signed an agreement to develop a new, mixed use real estate project in Mostakbal City, built on a total area of 465,000sq m.

Emaar Properties was established in 1997 as a public joint stock company, of which Emaar Misr is an Egyptian real estate subsidiary. Emaar Properties is seen as one of the largest and most progressive property developers in the world. Emaar Misr focuses on investment and management in Egypt. It is heavily involved in the residential market. Key projects include Uptown Cairo, a 4.5mn sq m development that represents a total investment of EGP12bn. It is in central Cairo and offers residential, commercial and office units to an increasingly affluent population as well as companies such as regional construction firms and administrative institutions. It is estimated to be worth up to EGP2.5bn. A second key project is Emaar Square, a counterpart to Uptown Cairo that mainly comprises retail and commercial facilities. In 2020, Emaar Properties secured approval from the Egyptian Cabinet for setting up an investment zone in Uptown Cairo in Mokattam, Egypt (Arab Finance). The project, which will include residential and administrative units, commercial units, hotels and other service facilities, will require an investment of EGP40bn (USD2.5bn). In total Emaar has a total of five developments: Belle Vie, Cairo Gate, Uptown Cairo, Marassi and Mivida. Emaar Misr reportedly made a net profit after tax of EGP5.56bn in 2022, with revenues of EGP14.73bn.

Established in 1992, Majid Al Futtaim Group has diversified into leisure and retail, with a focus on shopping malls, which are increasingly popular in the Middle East and North Africa. The Dubai-based firm has ties to a number of countries in the wider region, including Lebanon, Saudi Arabia, Oman, Bahrain, Jordan, Pakistan, Egypt and other gulf states. A notable Egyptian asset is the City Centre Maadi, in Cairo.

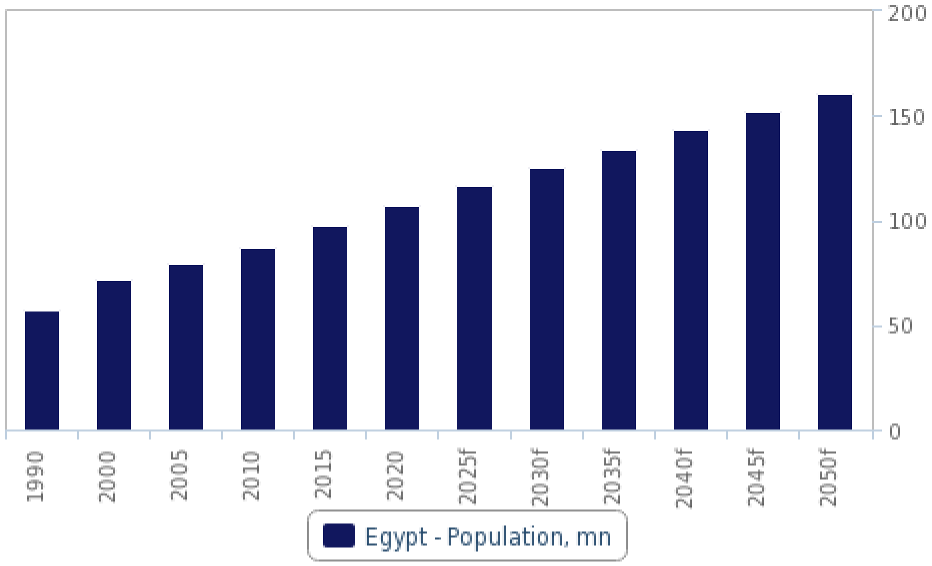
Egypt Demographic Outlook

Demographic analysis is a key pillar of our macroeconomic and industry forecasting model. The total population and demographic profile of a market are key variables in consumer demand and are essential to understanding issues ranging from future population trends to productivity growth and government spending requirements.

The accompanying charts detail the population pyramid for 2022, the change in the structure of the population between 2022 and 2045 and the total population between 1990 and 2045. The tables show indicators from all of these charts, in addition to key metrics such as population ratios, the urban/rural split and life expectancy.

Population

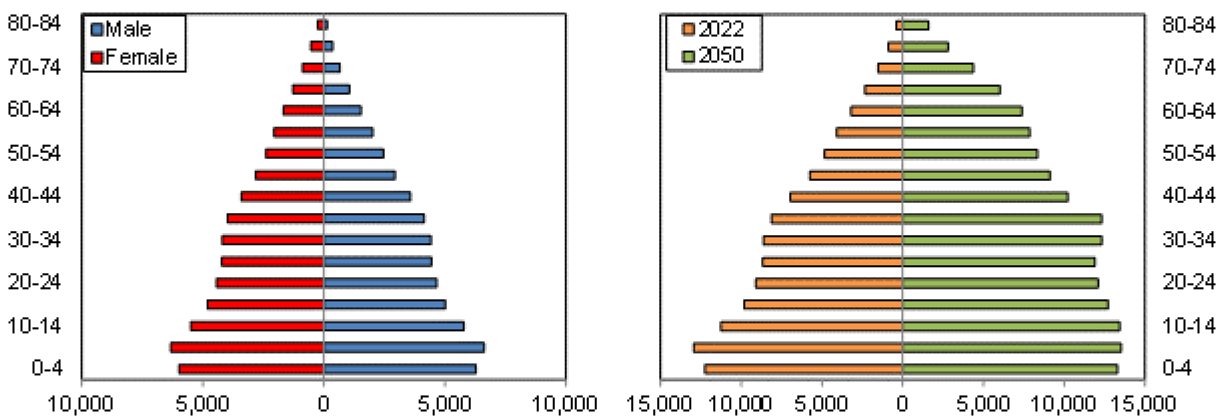
Egypt - Population, mn (1990-2050)



f = BMI forecast. Source: World Bank, UN, BMI

Population Pyramid

Egypt - 2022 Male vs Female Population, '000 (LHC) & 2022 vs 2050 Population, '000 (RHC)



Source: World Bank, UN, BMI

Population Headline Indicators (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Population, total, '000	57,214.6	71,371.4	79,075.3	87,252.4	97,723.8	107,465.1	116,275.5
Population, % y-o-y		2.09	2.00	2.05	2.23	1.75	1.56
Population, total, male, '000	28,850.6	36,137.3	40,071.8	44,175.7	49,472.6	54,357.4	58,764.9
Population, total, female, '000	28,364.1	35,234.1	39,003.5	43,076.7	48,251.2	53,107.7	57,510.6

f = BMI forecast. Source: World Bank, UN, BMI

Key Population Ratios (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Active population, total, '000	31,251.7	41,746.6	48,413.7	54,599.3	60,743.3	66,715.5	73,093.5
Active population, % of total population	54.6	58.5	61.2	62.6	62.2	62.1	62.9
Dependent population, total, '000	25,963.0	29,624.8	30,661.6	32,653.1	36,980.5	40,749.6	43,181.9
Dependent ratio, % of total working age	83.1	71.0	63.3	59.8	60.9	61.1	59.1
Youth population, total, '000	23,541.0	26,430.3	27,241.6	29,039.1	32,715.9	35,689.4	37,180.8
Youth population, % of total working age	75.3	63.3	56.3	53.2	53.9	53.5	50.9
Pensionable population, '000	2,421.9	3,194.5	3,420.1	3,614.0	4,264.6	5,060.2	6,001.1
Pensionable population, % of total working age	7.7	7.7	7.1	6.6	7.0	7.6	8.2

f = BMI forecast. Source: World Bank, UN, BMI

Urban/Rural Population And Life Expectancy (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Urban population, '000	24,875.8	30,544.8	34,023.7	37,535.1	41,811.1	45,976.8	50,514.7
Urban population, % of total	43.5	42.8	43.0	43.0	42.8	42.8	43.4
Rural population, '000	32,338.9	40,826.6	45,051.6	49,717.3	55,912.7	61,488.3	65,760.8
Rural population, % of total	56.5	57.2	57.0	57.0	57.2	57.2	56.6
Life expectancy at birth, male, years	62.2	65.9	66.4	67.1	68.0	68.7	69.9
Life expectancy at birth, female, years	66.0	70.1	71.2	72.3	73.1	73.4	74.9
Life expectancy at birth, average, years	64.1	68.0	68.8	69.7	70.5	71.0	72.4

f = BMI forecast. Source: World Bank, UN, BMI

Population By Age Group, % (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Population, 0-4 yrs, total, '000	8,855.1	8,995.9	9,578.7	10,580.8	12,635.0	12,548.7	12,075.0
Population, 5-9 yrs, total, '000	7,902.3	8,735.9	8,944.0	9,532.7	10,555.7	12,598.0	12,520.1
Population, 10-14 yrs, total, '000	6,783.7	8,698.5	8,718.8	8,925.5	9,525.2	10,542.6	12,585.7
Population, 15-19 yrs, total, '000	5,719.0	7,841.3	8,680.2	8,682.8	8,922.0	9,498.9	10,519.9
Population, 20-24 yrs, total, '000	5,083.0	6,706.5	7,832.3	8,620.1	8,703.0	8,873.5	9,458.3
Population, 25-29 yrs, total, '000	4,478.6	5,622.1	6,694.8	7,760.1	8,644.0	8,642.6	8,823.9
Population, 30-34 yrs, total, '000	3,806.8	4,972.6	5,601.9	6,622.1	7,766.4	8,581.6	8,589.9
Population, 35-39 yrs, total, '000	3,141.0	4,360.5	4,938.4	5,530.7	6,603.0	7,699.7	8,518.7
Population, 40-44 yrs, total, '000	2,651.3	3,681.1	4,306.5	4,859.8	5,486.8	6,523.9	7,618.5
Population, 45-49 yrs, total, '000	1,829.7	3,005.3	3,608.5	4,211.1	4,787.5	5,392.3	6,418.0
Population, 50-54 yrs, total, '000	1,646.3	2,481.6	2,891.5	3,465.8	4,073.5	4,636.8	5,223.8
Population, 55-59 yrs, total, '000	1,590.1	1,656.6	2,338.9	2,715.5	3,276.1	3,861.5	4,393.6
Population, 60-64 yrs, total, '000	1,306.1	1,419.0	1,520.6	2,131.2	2,481.0	3,004.7	3,529.0
Population, 65-69 yrs, total, '000	996.1	1,270.1	1,240.1	1,325.3	1,849.8	2,154.7	2,587.6
Population, 70-74 yrs, total, '000	695.1	922.4	1,035.8	1,005.2	1,079.1	1,493.1	1,714.8
Population, 75-79 yrs, total, '000	422.0	574.3	654.4	734.4	712.7	771.1	1,038.8
Population, 80-84 yrs, total, '000	210.8	288.8	331.8	373.7	424.9	412.7	441.7
Population, 85-89 yrs, total, '000	77.1	108.1	123.4	138.2	156.4	181.2	166.7
Population, 90-94 yrs, total, '000	18.4	26.8	30.0	32.6	36.6	41.8	45.2
Population, 95-99 yrs, total, '000	2.4	3.8	4.3	4.3	4.8	5.3	5.9
Population, 100+ yrs, total, '000	0.1	0.2	0.3	0.3	0.3	0.3	0.4

f = BMI forecast. Source: World Bank, UN,BMI

Population By Age Group, % (Egypt 1990-2025)

Indicator	1990	2000	2005	2010	2015	2020	2025f
Population, 0-4 yrs, % total	15.48	12.60	12.11	12.13	12.93	11.68	10.38
Population, 5-9 yrs, % total	13.81	12.24	11.31	10.93	10.80	11.72	10.77
Population, 10-14 yrs, % total	11.86	12.19	11.03	10.23	9.75	9.81	10.82
Population, 15-19 yrs, % total	10.00	10.99	10.98	9.95	9.13	8.84	9.05
Population, 20-24 yrs, % total	8.88	9.40	9.90	9.88	8.91	8.26	8.13
Population, 25-29 yrs, % total	7.83	7.88	8.47	8.89	8.85	8.04	7.59
Population, 30-34 yrs, % total	6.65	6.97	7.08	7.59	7.95	7.99	7.39
Population, 35-39 yrs, % total	5.49	6.11	6.25	6.34	6.76	7.16	7.33
Population, 40-44 yrs, % total	4.63	5.16	5.45	5.57	5.61	6.07	6.55
Population, 45-49 yrs, % total	3.20	4.21	4.56	4.83	4.90	5.02	5.52
Population, 50-54 yrs, % total	2.88	3.48	3.66	3.97	4.17	4.31	4.49
Population, 55-59 yrs, % total	2.78	2.32	2.96	3.11	3.35	3.59	3.78
Population, 60-64 yrs, % total	2.28	1.99	1.92	2.44	2.54	2.80	3.04
Population, 65-69 yrs, % total	1.74	1.78	1.57	1.52	1.89	2.01	2.23
Population, 70-74 yrs, % total	1.21	1.29	1.31	1.15	1.10	1.39	1.47
Population, 75-79 yrs, % total	0.74	0.80	0.83	0.84	0.73	0.72	0.89
Population, 80-84 yrs, % total	0.37	0.40	0.42	0.43	0.43	0.38	0.38
Population, 85-89 yrs, % total	0.13	0.15	0.16	0.16	0.16	0.17	0.14
Population, 90-94 yrs, % total	0.03	0.04	0.04	0.04	0.04	0.04	0.04
Population, 95-99 yrs, % total	0.00	0.01	0.01	0.00	0.00	0.00	0.01
Population, 100+ yrs, % total	0.00	0.00	0.00	0.00	0.00	0.00	0.00

f = BMI forecast. Source: World Bank, UN, BMI

Real Estate Methodology

Connected Thinking

BMI employs a unique methodology known as 'Connected Thinking'. This means that our analysis captures the inter-relatedness of the global economy, and takes into account all of the relevant political, macroeconomic, financial market and industry factors that underpin a forecast and view. We then integrate them so as to explain how they interact and affect each other. Our Connected Thinking approach provides our customers with unique and valuable insight on all relevant macroeconomic, political and industry risk factors that will impact their operations and revenue-generating potential in the industry/industries within which they operate.

We use a transparent forecasting model as a base for our industry forecasts, but rely heavily on our analysts' expert judgement to ensure our forecasts capture all of the insights we derive using our unique Connected Thinking approach. We believe analyst expertise and judgement are the best ways to provide the most accurate, up-to-date and comprehensive insight to our customers.

Real Estate Methodology

In each of the markets surveyed, local real estate agents are contacted and asked questions regarding monthly rental costs per square metre net yields, terms of contract (length of a lease and rent-free months) and a general overview of the market, across the following three commercial real estate sub-sectors:

- Office
- Retail
- Industrial

In each sub-sector, a standardised approach is employed to ensure comparability and consistency in the data. The maximum monthly rental values refer to prime/grade-A quality space and the minimum monthly rental values refer to non-prime/grade-B quality space. The net yields data refer to the rate of return on the investment after expenses have been deducted.

The answers have been combined into the data tables and text that form part of the market overviews and industry forecast scenarios. In taking this grass-roots approach, we ensure that we identify, in a timely fashion, key issues that will likely drive rents and yields over the short, medium and long term. A framework has been developed that facilitates comparisons between sectors in different markets.

Sources

Sources used in real estate reports include UN statistics, national accounts, housing and economy ministries, officially released company results and figures, trade bodies and associations, international and national news agencies and international real estate companies.

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