BMI
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Egypt
Real Estate Report
Includes 5-year forecasts to 2028

Contents

Key View

***Please Note**: BMI is enhancing its risk analysis with a new scoring system following its acquisition of GeoQuant, a market-leading provider of political risk data. From March 27 2024, risk scores are inverted: zero now represents the lowest risk and 100 represents the highest risk. This allows for clearer, industry-standard assessments. For further details, please refer to our updated methodology document.*

***Key View:** With high inflation and a weakening currency, we see commercial real estate rents falling in US dollar terms in the short term at least. In the medium term the outlook is brighter, as expansions in infrastructure should create scope for an increased role for the logistics sector and spur demand for more office and retail space. However, macroeconomic volatility and regional tensions create downside risks to our outlook.*

Real estate rents are rising sharply in local currency terms, on the back of high inflation. However, the Egyptian pound has weakened considerably against the US dollar, and in dollar terms rents will fall across the board in 2024. Over the longer term, however, with inflation set to stabilise and the pound to become more stable, there is scope for commercial rents to resume growth. Egypt is seeing considerable investment in infrastructure, notably in the development of new urban areas such as the New Administrative Capital, east of Cairo, and expansion to container terminal facilities at Egypt's ports. This will lead to improved opportunities for investment in modern commercial real estate.

The highest rents tend to be in the capital, Cairo, but with development space limited in the city centre, many projects are in newer urban areas such as New Cairo and the New Administrative Capital. Similarly, Giza, a satellite city, is seeing investment in industrial space, and will benefit from improving public transport links Cairo over the longer term, as will other surrounding areas. Alexandria, a key port city on Egypt's Mediterranean coast, has the highest industrial rental rates, and will benefit from port expansion plans, and the government's aim to expand Egypt's role as a regional manufacturing and transshipment hub.

The office market benefits from the important role that the services sector plays in the economy, on the back of Egypt's well-educated workforce. As construction around Cairo continues and as transport links in Greater Cairo improve, we see scope for office developments in a wider range of areas. Downside risks remain the potential for macroeconomic volatility, as well as heightened regional tensions.

The retail real estate market remains strongest in Cairo, but overall the development of the sector remains constrained by the fact that many Egyptians are on low incomes, limiting spending on non-essential goods. The current inflationary and high interest-rate environment further limits consumer spending. We see opportunities for an increase in retail space through mixed-use developments.

Egypt is looking to increase its role in manufacturing and trade, which should spur demand for industrial space in the medium term. The government is promoting investment in special economic zones, under the Suez Canal Zone. There is a growing number of logistics and industrial parks in the country, catering to a range of needs. Notably, cold chain logistics developer Sullex is constructing a smart temperature-controlled logistics city, SulleX-TRC, in Giza. The 510,000sq m city will be a regional hub for the production and trading of chilled and frozen food products and pharmaceuticals.

SWOT

Real Estate SWOT

Strengths

- 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.

Weaknesses

- 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.
- High inflation is eroding real incomes, reducing consumer spending on non-essential items. At the same time, monetary tightening is raising the cost of servicing debt.
- The large presence of the state and military-linked actors in the economy will continue to weigh on private sector development.

Opportunities

- A dearth of investment-grade assets and growing demand for prime income-producing assets provide room for capitalised developers.
- Further ambitions to become a regional logistics hub, as evidenced by investment in road, port and airport projects.
- Egypt has a large services sector, creating solid demand for office space.
- Egypt has 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, providing opportunities for investment into office real estate.

Threats

- 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: *With high inflation continuing through 2024, and the Egyptian pound weakening dramatically against the US dollar, we expect a sharp rise in office rental rates in pound terms, and for rents to fall in dollar terms. Over the longer term, however, with inflation stabilising and interest rates falling, we expect strong growth in services gross value-added to resume, pushing demand for office space up..*

Latest Updates

- In 2024 we see rental rates across the office market rising in local currency terms, on the back of a sharp rise in inflation, and tightening monetary policy, which pushes finance costs upwards. However, with the Egyptian pound having weakened sharply against the US dollar, rents will fall across the board in dollar terms.
- The highest rents are in the capital, Cairo, with rents set to range from USD15.6 and USD28.0 per sq m/month over 2024. Rents during the year will average USD21.8, down by 7.7% y-o-y.
- Rents are lower in Alexandria and Giza, and in 2024 are set to average USD12.8 in Alexandria, down by 5.4% y-o-y, and USD12.7 in Giza, down by a sharp 8.5%.
- In late April 2024 Mazaya Developments launched its fourth project in the New Administrative Capital, east of Cairo. The new project, a mixed-use retail, office and medical development, will have three floors of retail space and seven of office space.
- A number of projects are under way in New Cairo, in eastern Cairo. In March 2024 it was announced that Royal Developments had launched a mixed-use development, The Big Business District. The almost 40,000sq m development will include residential, office and hotel space. Phase one is due to be completed by early 2027. Meanwhile, ASALDI Properties is planning a four-storey mixed-use development including office, retail and leisure facilities in New Cairo. The project is due to be completed by the end of 2025.

Structural Trends

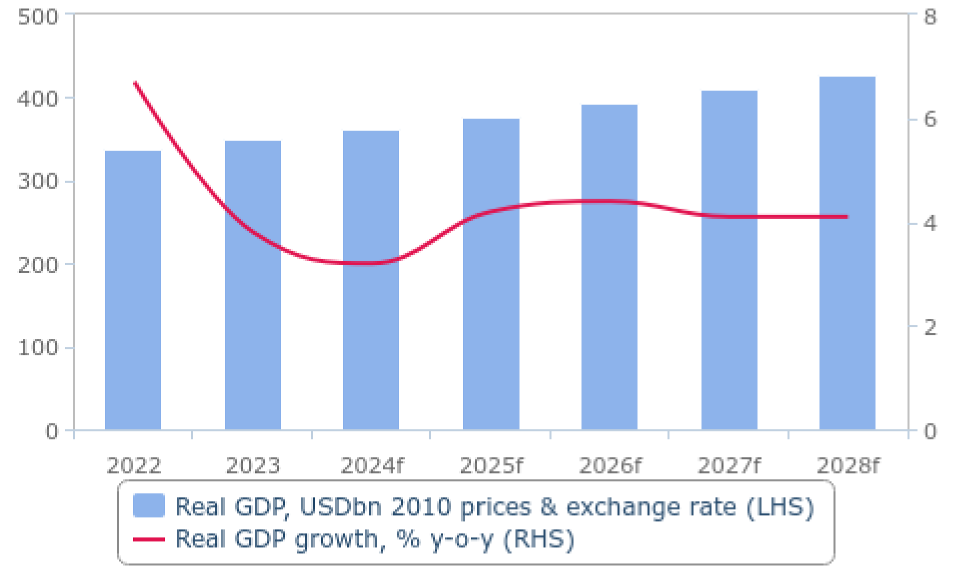
Egypt's economy is under pressure as a result of high inflation, which is forecast to end 2024 at 36.3%, and rising interest rates, with the central bank's key policy rate set to trend upwards over 2024, from 20.25% at the end of 2023 to 27.25% by the end of 2024. At the same time, the Egyptian pound has weakened sharply against the US dollar, and is set to fall from EGP30.90/USD at the end of 2023 to EGP47.50/USD by the end of 2024. This is pushing rents up in local currency terms, at the same time as deterring investment in the country's commercial real estate market. Increasing regional tensions, as a result of the Israel-Hamas war and security concerns in the Red Sea, are also acting as a brake on investment.

However, over the longer term the outlook is brighter. We expect inflation to fall sharply in 2025, and stabilise at around 7% a year over the medium term, while we also expect a sharp cut in the central bank's policy rate in 2025, to 16.25%, and further to 8.25% in 2026. That said, the pound will continue to weaken gradually against the dollar. Downside risks to our forecasts come from any uptick in regional tensions, or rise in commodity prices, which could cause inflation to spike once again.

Real GDP growth is set to come in at a moderately robust 3.2% in 2024, supported by investment from Gulf Cooperation Council markets and the government's ongoing privatisation drive. However, growth will be hit by the regional tensions, with a significant fall in Egyptian gas imports from Israel, for example, and significant risks to the large tourism sector. Over the rest of our medium-term forecast period to 2028, growth will be higher, averaging 4% a year.

Economic Growth To Stabilise

Egypt - Real GDP Growth (2022-2028)



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

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 which 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.

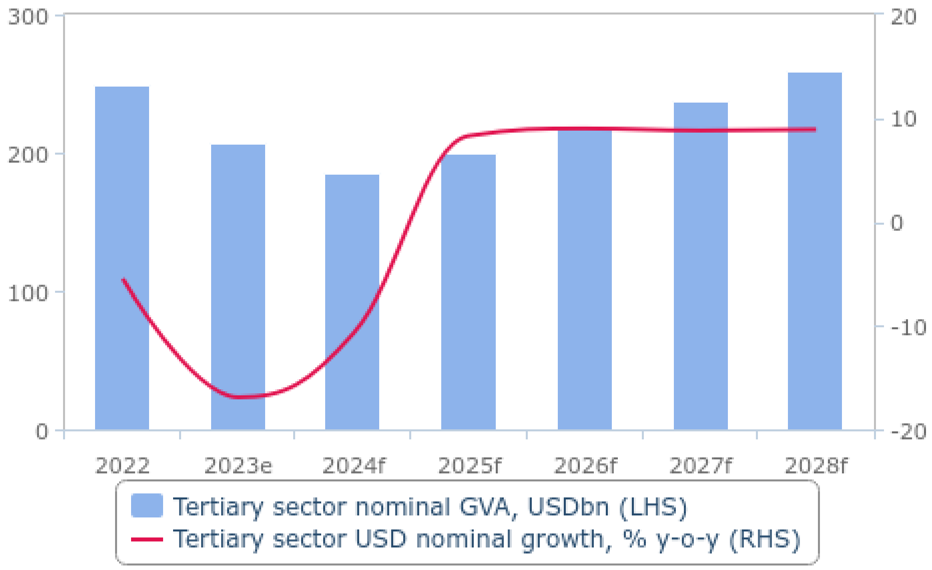
The services sector represents over half of Egyptian GDP, and employs more than half of the population. Egypt's transport, business process outsourcing and ICT (information and communications technology) sectors are key areas for the country's economic growth and diversification path, and we believe could become major drivers for office space demand. Egypt benefits from a large pool of skilled graduates and low operating costs, which is an attractive combination for tertiary sector investors. Call centres and outsourcing centres have developed to be a major source for demand for office space.

Typically, service sector companies require office developments close to key transport infrastructure and central business districts (CBDs). We believe that this will encourage strong demand for office developments in New Cairo, the New Administrative Capital, to the east of Cairo, and the New Alamein City development near Alexandria.

In 2024 we forecast services sector gross value-added to fall by 6.1% in US dollar terms, on the back of currency deprecation and rising inflation in Egypt. However, over the rest of our medium-term forecast period we expect the market to return to growth in dollar terms, with annual growth averaging a strong 9%+ a year.

Strong Services Growth To Resume

Egypt - Tertiary Services, USDbn (2022-2028)



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

Cairo is the capital and commercial centre of Egypt. While opportunities for development are limited in the built up central area of the city, new developments are springing up in surrounding urban developments, notably including New Cairo to east, and the New Administrative Capital, east of New Cairo. It is hoped that the New Administrative Capital, which was first announced in 2015, will eventually be home to 6mn people, as as well as hosting government offices, a CBD and cultural zones. In late April 2024 Mazaya Developments launched its fourth project in the New Administrative Capital. The new project, a mixed-use retail, office and medical development, will have three floors of retail space and seven of office space.

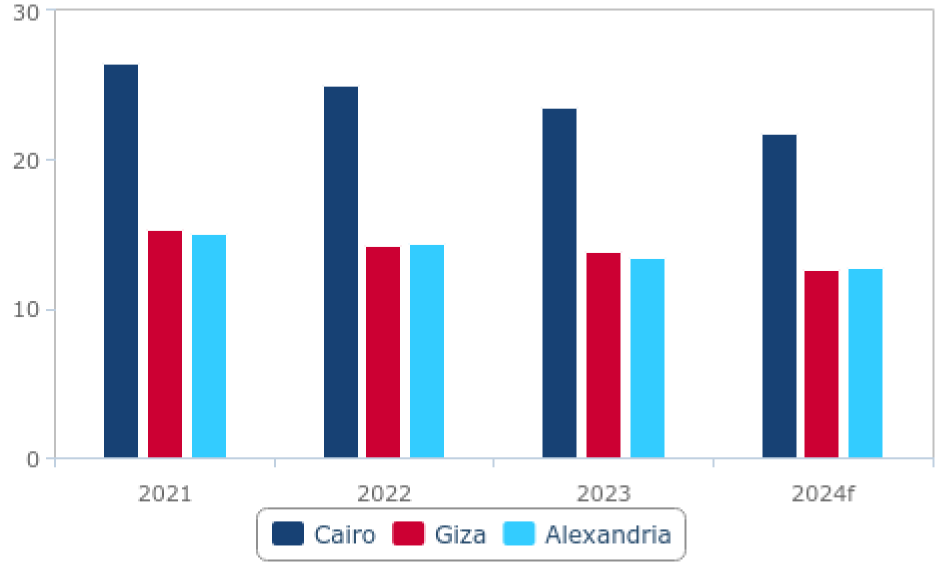
Meanwhile, there are a number of projects under way in New Cairo. In March 2024 it was announced that Royal Developments had launched a mixed-use development, The Big Business District. The almost 40,000sq m development will include residential, office and hotel space. Phase one is due to be completed by early 2027. Meanwhile, ASALDI Properties is planning a four-storey mixed-use development including office, retail and leisure facilities, which is due to be completed by the end of 2025. Il Cazar Developments' mixed-use The Crest development will include 3,000 residential units, as well as office, retail and leisure space.

In 2024 we expect office rents in Cairo to fall by 7.7% in US dollar terms, to average USD21.8 per sq m/month. Rents will range from USD15.6 at the lower end of the market to USD28.0 at the premium end, down from USD16.3 and USD30.9 respectively in 2023. However, in local currency terms rents will rise, from EGP500 to EGP700 at the lower end and from EGP950 to EGP1,260 at the premium end. The market will be sustained by good demand levels, although economic uncertainties, a depreciating currency and high inflation create serious downside risks.

Over the medium term we expect office developments around the stations and hubs of new transport infrastructure, while in general new lines will make is easier to travel around Greater Cairo, supporting the wider office market, particularly in less central areas. Greater Cairo Metro Line 4 is expected to become operational early 2028, and will link Sixth of October City, to the west of Cairo, with New Cairo and New Administrative Capital, to the east. A total of 2mn passengers are expected to use the service every day. Meanwhile, the planned two lines of the Greater Cairo Monorail will improve cross-Cairo links, with a line between New Cairo and the New Administrative capital to the east and between Sixth of October City and Giza to the west.

Rents To Continue Falling In Dollar Terms

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



f = forecast. 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, congestion in central areas encourages some businesses to opt for the fringe districts which presents opportunities for developers and investors. As is the case in Cairo, rents are set to fall in dollar terms, with the average rent down by 8.5% to USD12.7 per sq m/month in 2024. Rents will range from USD9.3 at the lower end of the market to USD16.0 at the premium end. As is the case in Cairo, rents will rise sharply in pound terms, as the currency depreciates against the dollar, up from EGP300-550 in 2023 to EGP420-720 in 2024. Both demand and supply are set to remain strong, although risks are to the downside.

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

	2018	2019	2020	2021	2022	2023	2024f
Cairo							
USD per sq m, min	15.76	17.89	19.04	19.82	17.22	16.28	15.56
USD per sq m, max	25.33	26.83	29.82	33.24	32.88	30.93	28.00
USD per sq m, average	20.54	22.36	24.43	26.53	25.05	23.60	21.78
- % growth y-o-y	na	8.85	9.26	8.58	-5.56	-5.78	-7.73
EGP per sq m, min	280.00	300.00	300.00	310.00	330.00	500.00	700.00
EGP per sq m, max	450.00	450.00	470.00	520.00	630.00	950.00	1,260.00
Giza							
USD per sq m, min	10.13	10.73	11.42	11.83	9.66	9.77	9.33
USD per sq m, max	14.92	16.10	17.45	18.92	18.79	17.91	16.00
USD per sq m, average	12.52	13.42	14.44	15.37	14.22	13.84	12.67
- % growth y-o-y	na	7.13	7.60	6.49	-7.49	-2.71	-8.45
EGP per sq m, min	180.00	180.00	180.00	185.00	185.00	300.00	420.00
EGP per sq m, max	265.00	270.00	275.00	296.00	360.00	550.00	720.00

	2018	2019	2020	2021	2022	2023	2024f
Alexandria							
USD per sq m, min	9.29	10.14	10.79	10.99	9.39	9.77	8.89
USD per sq m, max	15.20	16.99	18.40	19.18	19.31	17.25	16.67
USD per sq m, average	12.24	13.57	14.59	15.09	14.35	13.51	12.78
- % growth y-o-y	na	10.81	7.59	3.36	-4.86	-5.87	-5.42
EGP per sq m, min	165.00	170.00	170.00	172.00	180.00	300.00	400.00
EGP per sq m, max	270.00	285.00	290.00	300.00	370.00	530.00	750.00

na = not available. f = forecast. Source: BMI

In Alexandria both demand and supply are more moderate. That said, rapid infrastructure development close to the city, particularly the construction of the New Alamein City, which is approximately an hour from Alexandria, could fuel a rise in demand in the office sector over the longer term. We expect the average rental rate, in US dollar terms, to fall by 5.4% to USD12.8 per sq m/month in 2024. In that year rents are set to range from USD8.9 to USD16.7. In pound terms rents will rise from EGP300-530 in 2023 to EGP400-750 in 2024.

Egypt - Office Yields And The Average Interest Rate Available, % (2018-2024)

	2018	2019	2020	2021	2022	2023e	2024f
Cairo net yield	10	8-10	8-10	8-10	8-10	8-10	8-10
- Yield spread	-8.8	-7.5--5.5	-3.3--1.3	-1.3-0.7	-5.25--3.25	-10.75--8.75	-16.25--14.25
Giza net yield	8-10	8-10	8-10	8-10	8-10	8-10	8-10
- 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	-16.25--14.25
Alexandria net yield	5-5.5	5-5.5	6-7	6-7	6-7	6-7	6-7
- 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	-18.25--17.25
Interest rates: average lending rate	18.8	15.5	11.3	9.3	13.3	18.8	24.3

Note: Yield spread is difference between net yield and interest rate. e/f = estimate/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 -16.25% and -14.25% in 2024, with Giza seeing a similar picture, and Alexandria moving from between -12.75% and -11.75% to between -18.25% -17.25%.

Egypt's office sector benefits from the importance of services to the local economy. Despite the shorter-term challenges, as the economy returns to stable growth and as inflation stabilises 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 scope for the development of modern space.

Retail Forecast

Key View: *With a population in excess of 100mn, Egypt offers one of the largest consumer bases in the region, with huge long-term growth potential for retailers. That said, is short term the outlook is more muted, as high inflation artificially inflates rents in local currency terms, but, together with a depreciating local currency, leads to falling rental rates in US dollar terms.*

Latest Updates

- We see rents rising strongly in Egyptian pound terms in 2024, as inflation averages over 35% . However, in US dollar terms rents will fall, as the pound has weakened sharply against the dollar.
- The highest retail rents are in Cairo, and are set to average USD41.1 per sq m/month in 2024, down by 4.7% y-o-y.
- We expect a sharp fall in rents in Alexandria, down by 7.2% to average USD29.4 in 2024.
- In Giza the fall will be smaller, at 2.8%, taking the average retail rental rate to USD27.2 in 2024.
- There are a number of mixed-use developments under way in the Cairo area that include retail elements. Development in central Cairo is limited by the lack of available land, but the growth of new urban centres surrounding the capital creates the scope for a significant pipeline of modern retail developments. In New Cairo, to the east of central Cairo, projects include Royal Developments' The Big Business District, an office-retail-hotel project, the first phase of which is due to be completed in early 2027; ASALDI Properties' Shades mixed-use development, which is due to be completed in 2025; and Cred's Ever New Cairo residential projects, which will have a retail district. Construction of Ever New Cairo is set to begin in 2025 and be completed in 2031.
- In late April 2024 Mazaya Developments launched its fourth project in the New Administrative Capital, east of Cairo. The mixed-use retail, office and medical development will have three floors of retail space.

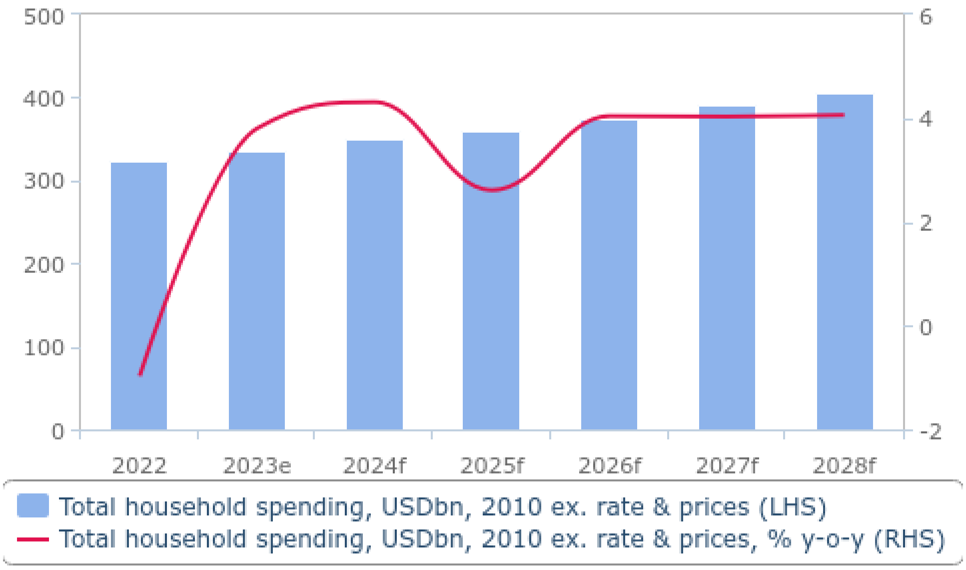
Structural Trends

Egypt is a strong consumer market, and Egyptians have a strong tradition of going out to enjoy shopping and dining. The large, growing and youthful population is driving modernisation, resulting in growing demand for foreign brands across a number of sectors. Meanwhile, the Shopping Centres Act, passed by the government in 2018, eased legislation for the establishment of malls, and the law requires that all new real estate projects include a commercial area, which is boosting the supply of modern retail space. International retailers continue to enter and expand in the country, particularly through franchise agreements with regional firms. The Egyptian retail real estate sector benefits from the continuing popularity of bricks-and-mortar stores, despite a recent rise in e-commerce.

That said, there are downside risks to our retail outlook. 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.

Moderating Inflation Will See Household Spending Growth Stabilise

Egypt - Total Household Spending, EGPbn (2022-2028)



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

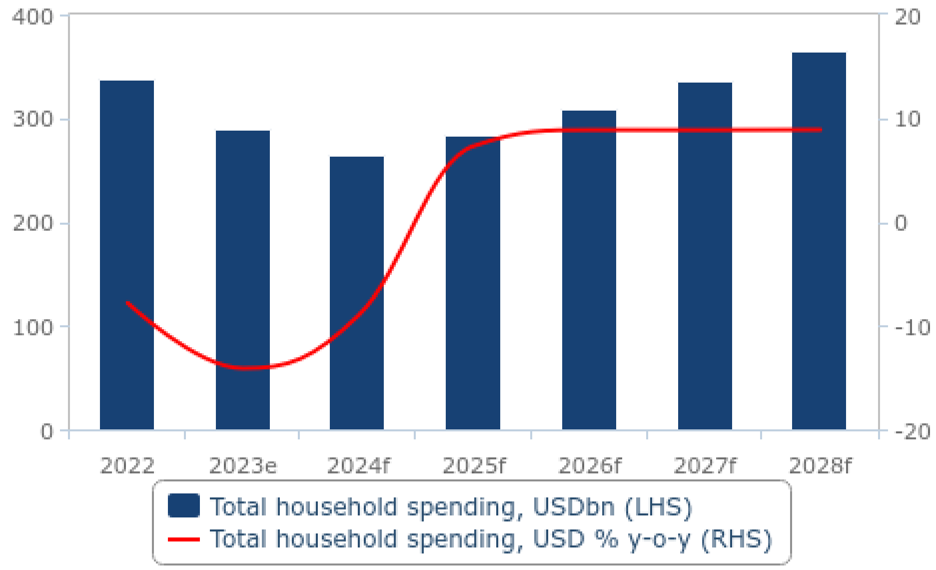
From 2017 until the Covid-19 pandemic hit, Egypt's growth story was one of pent-up demand unleashed by increased macroeconomic and political stability. However, this progress has since been dampened by surging inflation, rising interest rates and unfavourable base effects from higher spending in the 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, while the impact of the Israel-Hamas war is also being felt, particularly as Egyptian gas imports from Israel have fallen sharply.

In the short term the household spending outlook will remain distorted by high inflation, which is forecast to average 36.9% over 2024, up slightly from 33.9% in 2023. This is pushing up household spending growth in local currency terms at the same time as the Egyptian pound has fallen sharply against the US dollar, and we forecast a 10.3% fall in spending in dollar terms in 2024. The volatile situation leads to a diversion of household spending towards essential purchases due to rising costs, pushing up the costs of imported goods and, on the back of interest rate hikes by the central bank, pushing up the cost of borrowing and of servicing debt, which creates downside risks for our forecasts.

However, over the medium term, as inflation falls (we forecast it to drop to an average of 14.7% in 2025 and to then average 7.0% a year through to 2028) and currency depreciation slows, we expect household spending to return to strong growth in dollar terms, averaging just under 10% a year. By 2028 total household spending is set to be USD374,39bn, or EGP19.06trn.

Spending To Return To Growth In Dollar Terms

Egypt - Household Spending, USDbn (2022-2028)

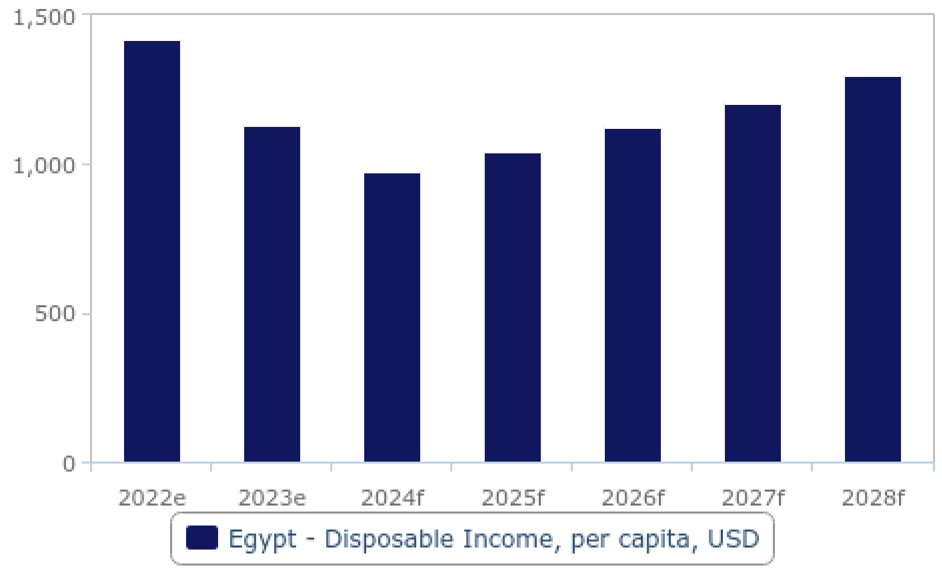


e/f = BMI estimate/forecast. Source: Central Bank of Egypt, BMI

In per capita terms, we forecast disposable incomes to rise from EGP34,652 in 2023 to EGP44,468 in 2024. However, in dollar terms incomes will fall from USD1,128 to USD998. In 2025 growth will resume, however, and by 2028 we expect incomes to reach EGP68,361 and USD1,342. Despite these rises, the majority of Egyptian households, especially in rural areas, will remain low-income consumers, with spending focused on essentials.

Rising Incomes Will Support Retail Spending

Egypt - Per Capita Disposable Income, EGP & USD (2022-2028)



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

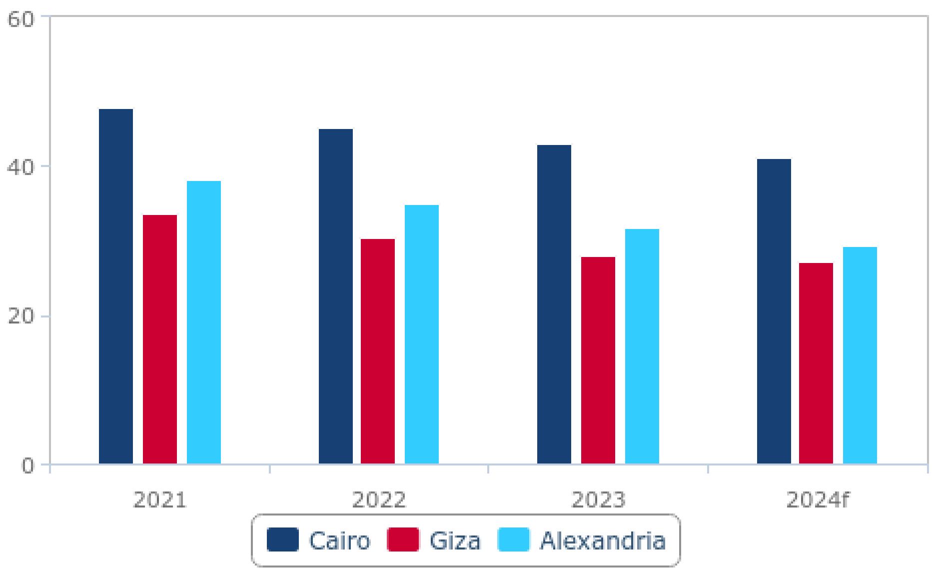
Cairo commands the highest retail rental rates, particularly at the prime end of the market. In 2024 upper end rents are forecast at USD64.4 per sq m/month, significantly higher than the USD40 or so that we forecast in the other two cities. In 2024 we forecast rents to fall in US dollar terms, on the back high inflation in the local currency and the weakening of the pound against the dollar. We see the average rental rate falling by 4.7% to USD41.1, while over the year rents will range from USD17.8 at the lower end of the market to USD64.4 at the premium end, down from USD17.9 and USD68.4 in 2023. In Egyptian pound terms, rents will rise from EGP550-2,100 in 2023 to EGP800-2,900.

Demand across the city is ticking up, and we believe that despite the strong growth of e-commerce, bricks-and-mortar shops will remain popular. There are a number of developments, particularly mixed-use, under way in urban areas outside central Cairo, particularly in New Cairo, to the east. These include the Big Business District, a mixed-use 38,000sq m office, retail and hotel development by Royal Developments - the first phase of which is due for completion in early 2027 - and ASALDI Properties' Shade mixed-use office, retail and leisure development, which is due to be competed in 2025. Residential-focused developments with a retail element in New Cairo include Cred's Ever New Cairo development, which is expected to be built between 2025 and 2031, and Il Cazar Developments' The Crest project, work on which is due to begin in Q3 2024.

Meanwhile, it was reported in late April 2024 that Mazaya Developments has launched its fourth project in the New Administrative Capital, to the east of New Cairo. The project will include office, retail and medical space. Elsewhere, Hassan Allam Properties is developing a mixed-use project in Mostakbal that will include retail and office, as well as residential, units. Upwyde Developments is planning a new mixed-use residential project in Sixth of October City.

Retail Rents To Continue Falling

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



f = forecast. Source: BMI

Retail rents expressed in US dollar terms are also forecast to fall in Giza in 2024, with average rents down by 2.8%, to USD27.2 per sq m/month. Rents will range from USD15.6 at the lower end of the market to USD38.9 at the premium end. In Egyptian pound terms high inflation will see rents rising from EGP520-1,200 in 2023 to EGP700-1,750. Increasing demand and limited new supply in the market will create upside risks to these forecasts.

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

	2018	2019	2020	2021	2022	2023	2024f
Cairo							
USD per sq m, min	20.82	21.47	22.21	22.37	20.88	17.91	17.78
USD per sq m, max	59.10	62.61	72.66	73.51	69.41	68.37	64.44
USD per sq m, average	39.96	42.04	47.43	47.94	45.15	43.14	41.11
- % growth y-o-y	na	5.20	12.83	1.07	-5.83	-4.45	-4.69
EGP per sq m, min	370.00	360.00	350.00	350.00	400.00	550.00	800.00
EGP per sq m, max	1,050.00	1,050.00	1,145.00	1,150.00	1,330.00	2,100.00	2,900.00
Giza							
USD per sq m, min	16.88	18.48	19.48	20.13	18.27	16.93	15.56
USD per sq m, max	40.81	43.53	46.20	47.30	42.80	39.07	38.89
USD per sq m, average	28.85	31.01	32.84	33.72	30.53	28.00	27.22
- % growth y-o-y	na	7.49	5.91	2.68	-9.45	-8.30	-2.77
EGP per sq m, min	300.00	310.00	307.00	315.00	350.00	520.00	700.00
EGP per sq m, max	725.00	730.00	728.00	740.00	820.00	1,200.00	1,750.00
Alexandria							
USD per sq m, min	22.23	23.85	25.38	25.89	21.66	19.53	18.89
USD per sq m, max	42.21	46.51	49.62	50.50	48.54	43.95	40.00
USD per sq m, average	32.22	35.18	37.50	38.19	35.10	31.74	29.44
- % growth y-o-y	na	9.18	6.60	1.84	-8.10	-9.56	-7.24
EGP per sq m, min	395.00	400.00	400.00	405.00	415.00	600.00	850.00
EGP per sq m, max	750.00	780.00	782.00	790.00	930.00	1,350.00	1,800.00

na = not available. f = forecast. 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 7.2% in US dollar terms, to USD29.4 per sq m/month. Rents will range from USD18.9 to USD40.0 in 2024. In pound terms rents are set to rise from EGP600-1,350 in 2023 to EGP850-1,800 in 2024. As is the case in Giza, increasing demand and limited new supply in the market creates upside risks to these forecasts.

Egypt - Retail Yields And The Average Interest Rate Available, % (2018-2024)

	2018	2019	2020	2021	2022	2023e	2024f
Cairo net yield	5-10	5-10	8-10	8-10	8-10	8-10	8-10
- 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	-16.25--14.25
Giza net yield	5-10	5-10	7.5-10	7.5-10	7.5-10	7.5-10	7.5-10
- 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	-17.25--14.25
Alexandria net yield	5-10	5-10	6-10	6-10	6-10	6-10	6-10
- Yield 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	-18.25--14.25
Interest rates: average lending rate	18.8	15.5	11.3	9.3	13.3	18.8	24.3

Note: Yield spread is difference between net yield and interest rate. e/f = estimate/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 move further into negative territory, as rising central bank rates push up commercial lending rates.

Over the medium term, however, operating conditions will improve in the retail market and thus in 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: *As is the case in the office and retail markets, industrial rents in US dollar terms will fall on the back of the weakening local currency in the short term. However, the longer-term outlook is brighter as a result of investment in infrastructure, both public and private, and Egypt's growing role in manufacturing and transshipment.*

Latest Updates

- We expect rents to fall in US dollar terms are the local currency has weakened sharply against the US dollar. However, on the back of high inflation rents will increase strongly in Egyptian pound terms in 2024.
- The highest industrial rents are in Alexandria, on the Mediterranean cost. In 2024 we expect industrial rents in the city to average USD2.4 per sq m/month, higher than USD2.3 in Giza and USD2.1 in Cairo.
- In Alexandria average industrial rents will fall by 9.4% in dollar terms in 2024, with Cairo seeing a drop of 9.2% and Giza a sharper fall of 11.7%.
- After a sharp fall in 2023 and a further fall of almost 12% in 2024, we expect nominal growth in manufacturing gross valued-added (GVA), in dollar terms, to return from 2025 onwards, supporting longer-term demand for industrial space.
- After a number of years of volatility, we are also expecting a return to steady growth in imports and exports in 2025, in dollar terms, which will also benefit industrial real estate investors.
- The government is seeking to improve Egypt's role in transshipment and manufacturing, and is promoting the development of special economic zones, while expansion of container capacity at major ports is also under way.
- In February 2024 it was announced that Egypt-based Sullex had begun construction of a smart temperature-controlled logistics city, SulleX-TRC, in Giza. The 510,000sq m city, which will include factories for the production of chilled and frozen foods and temperature-controlled warehouses, will be a regional hub for the production and trading of chilled and frozen food products and pharmaceuticals.
- In November 2023 it was announced that DP World had begun construction of the 300,000sq m DP World-Sokhna Logistic Park at Sokhna Industrial Zone, on the Gulf of Suez.
- In October 2023, Egypt's trade and industry minister reported that Saudi Arabia-based 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 in the Red Sea port of Safaga is expected to start operations in Q2 2025, handling general and dry cargo of 5mnt and liquid cargo of 1mnt. Abu Dhabi Ports is investing USD200mn to upgrade its infrastructure, with the funds being 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

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 Egyptian government is seeking to develop the country's role as a transshipment and manufacturing hub, and the policy of special economic zones seeks to attract more business and foreign direct investment (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 November 2023 it was announced that UAE-based supply chain solutions firm DP World had begun construction of the 300,000sq m DP World-Sokhna Logistic Park in Sokhna Industrial Zone, on the Gulf of Suez. Meanwhile, in April 2024 it was announced that the the SCZone and Mainland China-based Wu'an Xin Feng has reached an agreement for the building of a hot-rolled coils (HRC) manufacturing facility in Sokhna Industrial Zone.

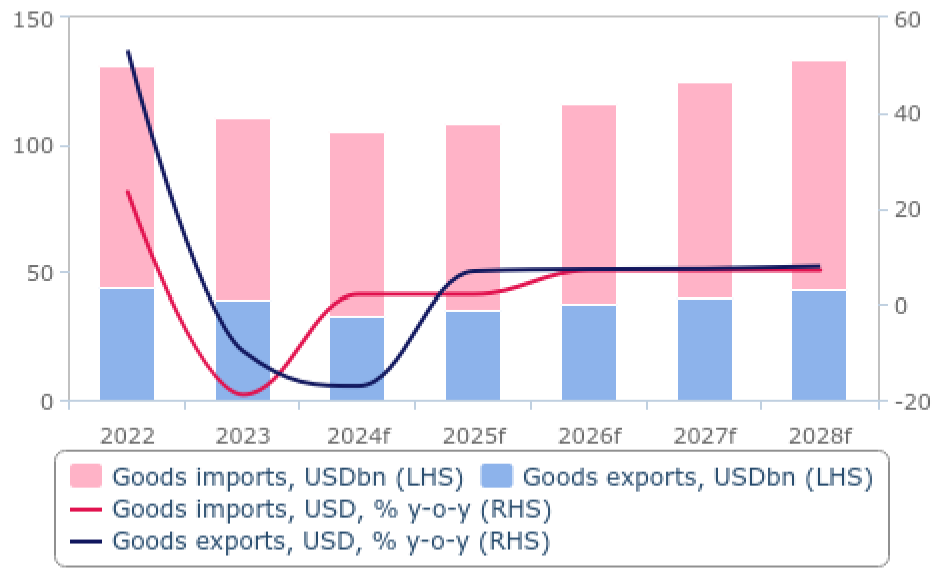
Meanwhile, The Sovereign Fund of Egypt (TSFE) is seeking to attract FDI into a range of economic and social development projects through public-private partnerships. FDI in Egypt is concentrated in the oil and gas industry (around three-quarters of total investments), followed by real estate, manufacturing, financial services and construction. The industrial real estate market is set to benefit from the Egyptian government's effort to boost FDI diversification.

Over the medium term we expect significant investment in container terminal infrastructure across all of Egypt's key Mediterranean ports, benefitting Egypt's transshipment hub status and the country's trade. Notably, there are plans for a new container terminal at Dekheila and at Abu Qir, near Alexandria, while APM Terminals' Suez Canal Container Terminal at East Port Said is being expanded, and Hapag-Lloyd is developing a second container terminal at Damietta. All of this should support investment in industrial real estate in the ports' environs.

After a volatile few years, as the trade environment has been affected by supply chain disruptions, regional tensions, spiking inflation and a dramatic weakening of the Egyptian pound, we see exports falling by 2.1% in US dollar terms in 2024, and imports rising by a minimal 1.5%. This comes on the back of sharp falls in both indicators in 2023. However, from 2025 the picture will begin to see more solid improvement, with exports seeing average annual growth of 5.7% through to 2028, and imports growing by 6.6%.

Stabilising Trajectory

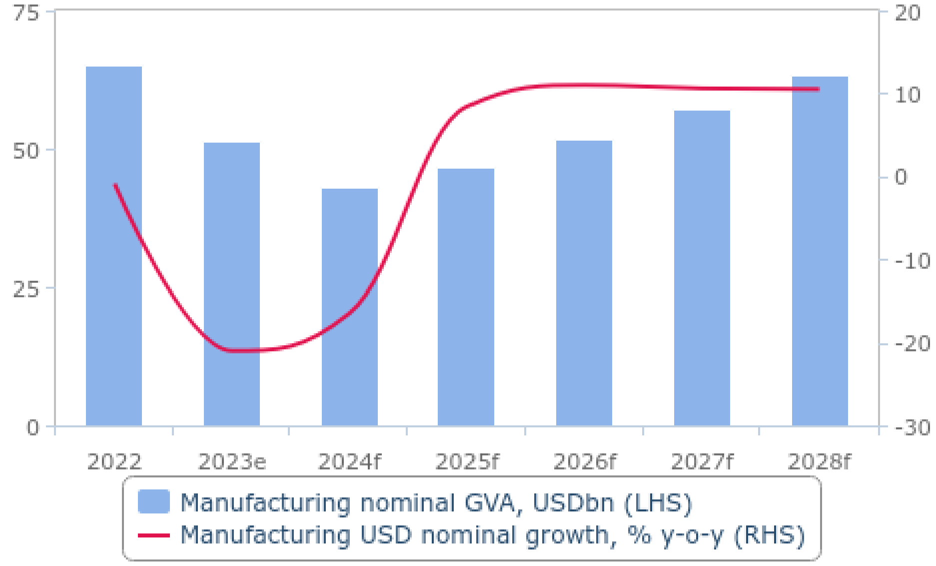
Egypt - Goods Imports & Exports, USDbn (2022-2028)



f = BMI forecast. Central Bank of Egypt, BMI

After a 20%+ drop in nominal manufacturing GVA in 2023, in dollar terms, we forecast a smaller fall, of 11.8%, in 2024. However, from 2025 the market will return to growth, at an annual average of 11.2% through to 2028. 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 USD69.21bn by the end of 2028.

Stable Manufacturing Growth Ahead
Egypt - Manufacturing GVA, USDbn (2022-2028)



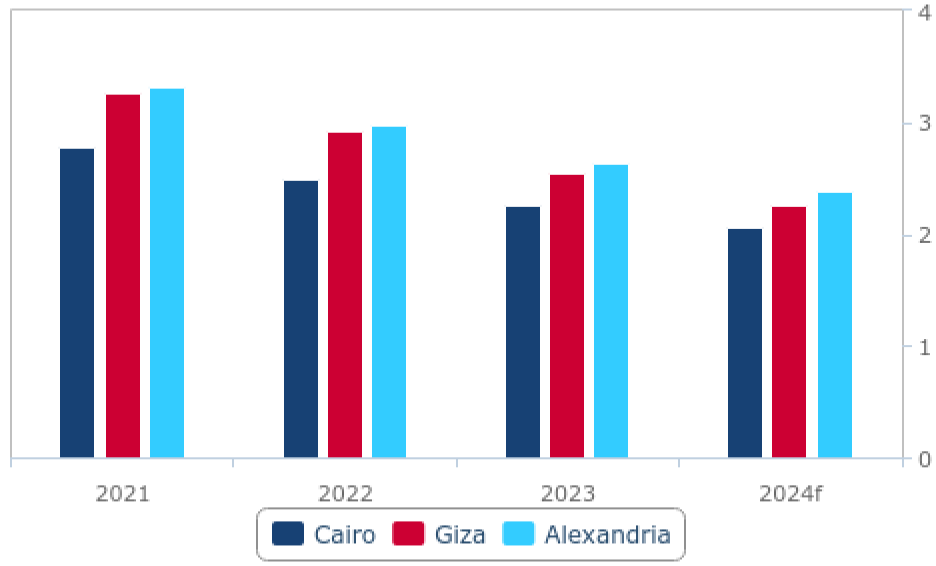
e/f = BMI estimate/forecast. Source: Ministry of Planning and Economic Development, BMI

Demand for industrial space in Cairo is driven by manufacturing, e-commerce and third-party logistics providers, with demand set to remain fairly strong and supply limited in the short term at least. In 2024 we forecast that the average industrial rental rate will fall by 9.2% to USD2.1 per sq m/month. Rents will range from USD1.6 at the lower end of the market to USD2.6 at the upper end. On the back of high inflation, rents will rise strongly in pound terms, up from EGP49-90 in 2023 to a forecast EGP70-115 in 2024.

In the long term, opportunities for growth in Cairo's industrial real estate 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.

Falling Industrial Rents

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



f = forecast. Source: BMI

The limited supply of industrial real estate in Giza and rising demand levels are putting upwards pressure on rental rates. However, we continue to expect a fall in rents in US dollar terms in 2024, with the average rent down by a sharp 11.7% to USD2.3 per sq m/month. Rents will range from USD1.7 to USD2.8. In pound terms rents will rise strongly, from EGP53-104 in 2023 to USD75-128 in 2024.

In February 2024 it was announced that Egypt-based cold chain developer Sullex had begun construction of a smart temperature-controlled logistics city in Giza. The 510,000sq m SulleX-TRC, which will have factories for the production of chilled and frozen food and smart temperature-controlled warehouses, will serve as a hub for the production and trade of chilled and frozen foods and pharmaceuticals.

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

	2018	2019	2020	2021	2022	2023	2024f
Cairo							
USD per sq m, min	1.63	1.79	1.94	2.05	1.77	1.60	1.56
USD per sq m, max	2.81	3.04	3.33	3.52	3.20	2.93	2.56
USD per sq m, average	2.22	2.41	2.63	2.78	2.49	2.26	2.06
- % growth y-o-y	na	8.63	9.05	5.59	-10.56	-9.02	-9.15
EGP per sq m, min	29.00	30.00	30.50	32.00	34.00	49.00	70.00
EGP per sq m, max	50.00	51.00	52.50	55.00	61.30	90.00	115.00
Giza							
USD per sq m, min	1.74	1.91	2.09	2.17	1.88	1.73	1.67
USD per sq m, max	3.55	3.88	4.19	4.35	3.97	3.39	2.84
USD per sq m, average	2.65	2.89	3.14	3.26	2.92	2.56	2.26
- % growth y-o-y	na	9.32	8.61	3.79	-10.34	-12.56	-11.74
EGP per sq m, min	31.00	32.00	33.00	34.00	36.00	53.00	75.00
EGP per sq m, max	63.00	65.00	66.00	68.00	76.00	104.00	128.00
Alexandria							
USD per sq m, min	1.69	1.79	2.00	2.05	1.77	1.63	1.44
USD per sq m, max	3.55	3.94	4.25	4.60	4.18	3.65	3.33
USD per sq m, average	2.62	2.86	3.13	3.32	2.97	2.64	2.39
- % growth y-o-y	na	9.36	9.19	6.36	-10.50	-11.36	-9.41
EGP per sq m, min	30.00	30.00	31.50	32.00	34.00	50.00	65.00
EGP per sq m, max	63.00	66.00	67.00	72.00	80.00	112.00	150.00

na = not available. f = forecast. Source: BMI

The port city of Alexandria has the highest industrial rents of the three cities that we cover. Stimulated by the expansion of container 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 9.4%, to take average rents to USD2.4 per sq m/month, with rents ranging from USD1.4 at the lower end of the market to USD3.3 at the top of the market. As with the other two cities that we cover, we see continued growth in Egyptian pound terms, from EGP50-112 in 2023 to EGP65-150 in 2024.

Egypt - Industrial Yields And The Average Interest Rate Available, % (2018-2024)

	2018	2019	2020	2021	2022	2023e	2024f
Cairo net yield	5-7	5-7	6-9	6-9	6-9	6-9	6-9
- 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	-18.25--15.25
Giza net yield	5-7	5-7	5-7	5-7	5-7	5-7	5-7
- 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	-19.25--17.25
Alexandria net yield	6-7	6-7	6-7	6-7	6-7	6-7	6-7
- 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	-18.25--17.25
Interest rates: average lending rate	18.8	15.5	11.3	9.3	13.3	18.8	24.3

Note: Yield spread is difference between net yield and interest rate. e/f = estimate/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 further into negative territory compared to commercial lending rates, as the central bank hikes its key policy rates. The yield spread is set to be -18.25--15.25% in Cairo, -18.25--17.25% in Alexandria and -19.25--17.25% in Giza.

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. However, we are optimistic regarding the long-term outlook for the industrial real estate market across the country, on the back of the growing role of manufacturing in the economy, growing demand for logistics space and port expansions.

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 May 2024, Mazaya Developments launched of its fourth project in Egypt's New Administrative Capital, with an investment totaling EGP5.0bn (USD105.0mn). The new project is an integrated commercial, administrative and medical complex featuring a ground floor, nine upper floors and three basement levels.
- The Suez Canal Economic Zone (SCZone) of Egypt has inked an agreement in April 2024 with Mainland China based Wu'an Xin Feng for building of USD297mn hot-rolled coils (HRC) manufacturing facility in the Sokhna Industrial Zone. Spanning 750,000sq m, the project expects generating 1,200 job opportunities and targeting 70% of its output for international markets.
- Saint-Gobain has broken ground in March 2024 on a EUR175.0mn (USD189.6mn) glass production facility in Sokhna Industrial Zone in Egypt. The factory will cover 200,000sq m area. It will receive electricity from a 10MW solar photovoltaic power plant, according to a press statement by the Suez Canal Economic Zone.
- In March 2024, Hassan Allam Properties (HAP) acquired 1.1sq km of land from MIDAR for a mixed-use project in Mostakbal City. The project, valued at EGP35.0bn (USD732.3mn), will include residential options, including villas, apartments retail and office units. The mixed–use project furthers HAP's commitment to the area following the success of previous projects like Haptown and The Valleys.
- Al Ahly Sabbour Developments unveiled plans in March 2024 to start construction on two residential projects worth EGP130.0bn (USD2.74bn) in 2024 in Egypt. The Summer Beachfront residential project will span 3.4sq km and At-East will cover an area of 732,00sq m. The Summer project will have an estimated investment of over EGP100.0bn (USD2.0bn) and Phase I is due to be launched. At-East will have an estimated investment of EGP35.0bn (USD709.4mn), with Phase I consisting of detached villas, twin houses and townhouses.
- In February 2024, Upwyde Developments unveiled plans for a new EGP30.0bn (USD969.4mn) Jazebeya project, located in the sixth of October city, Egypt. The 161,874.4sq m project will comprise residential and commercial portions. Raef Fahmi Architects are the main consultants for the project. Phase I includes 835 units, with delivery expected to start by 2027.
- IL Cazar Developments unveiled plans in February 2024 to build a new residential-led mixed-use project, named The Crest, in New Cairo, Egypt. The mixed-use project, estimated to cost EGP60.0bn (USD1.9bn), will cover more than 639,403sq m area. The project comprises 3,000 residential units, serviced apartments, offices, a social club, restaurants, sports area and leisure facilities.

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.

Short-Term Context Remains Difficult For Housing Sector

The current context of high inflationary pressures and tightening monetary policy will continue to weigh on the buildings sector over 2024 and 2025, and notably on the residential building sector, given these factors directly impact purchasing power and the affordability of housing.

Our Country Risk team notably expects that after hiking the benchmark policy rates by 200 basis points, the Central Bank of Egypt (CBE) will increase the overnight deposit and lending rates by a further 300bps to 24.25% and 25.25% respectively by end-2024. Strong inflationary pressures and the need to support the currency will provide impetus for the CBE to tighten monetary policy. While we expect average inflation will fall from 33.9% in 2023 to 30.3% in 2024, the drop will be almost entirely driven by favourable base effects. Inflationary pressures will remain strong due to increases in administered prices designed to reduce the subsidy bill, particularly fuel and most importantly a weaker exchange rate. This provides a negative short-term context for the buildings sector.

The outlook should begin to stabilise and improve for the buildings segment from 2026 onwards, as the economy return to stronger footing and as inflation stabilises. Our Country Risk team notes the impact of subsidy cuts and austerity measures will begin to wear off over the medium term as the pace of fiscal consolidation moderates and policy focuses less on subsidy cuts. They expect inflationary pressures to stabilise, which will allow the CBE to loosen monetary policy and provide support for private consumption growth. This will be reinforced by healthy population growth and a large youth population with a greater proclivity to spend, providing a positive longer-term outlook for buildings demand.

Robust Long-Term Housing Demand

Past 2026, we believe 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.

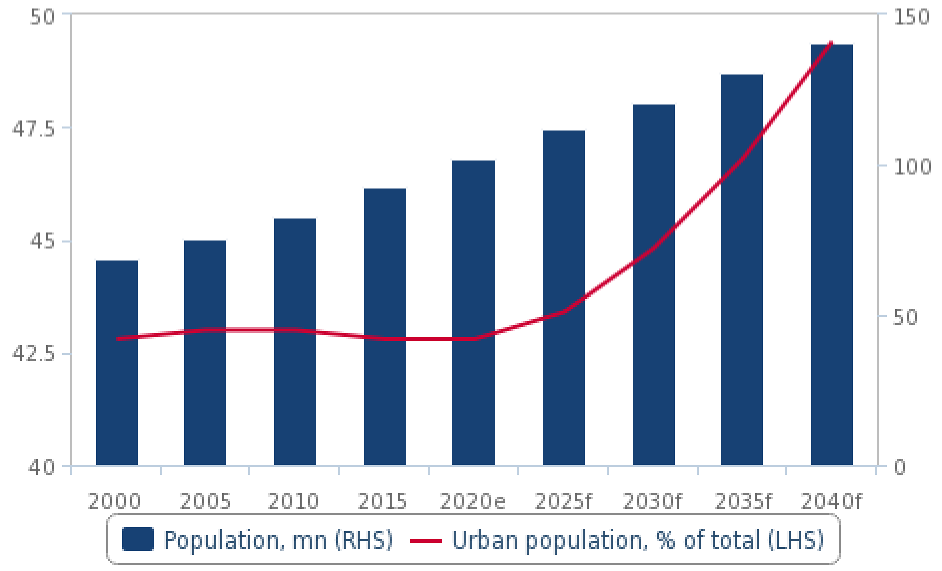
Factors such as the soaring rate of marriages in the country and rising levels of rural to urban migration add to this. Despite the potential, only 10% of Egypt's housing is supplied by professional property developers, with the rest built informally. While mid- to high-end property developments continue 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 about 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

Cautiously Optimistic About Egypt's Growth Prospects In FY2024/25

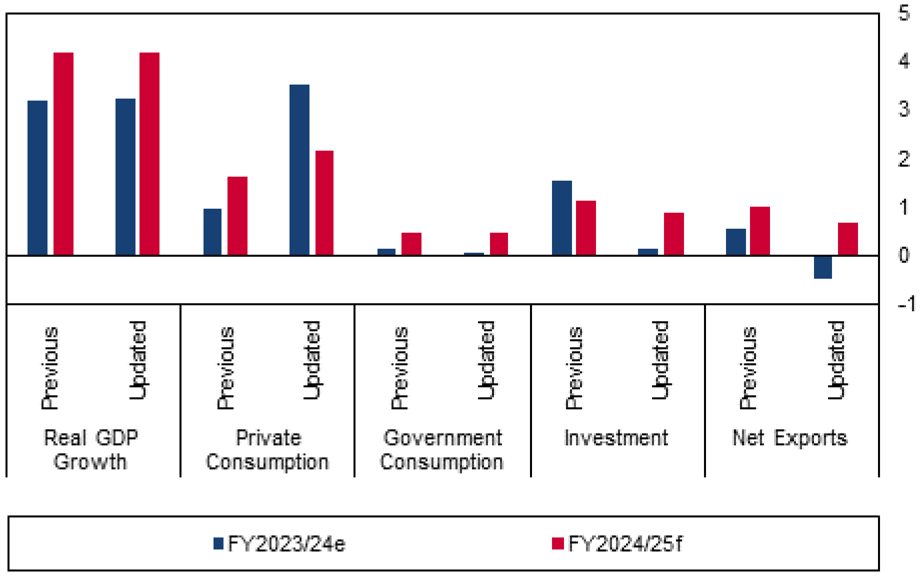
Key View

- We retain our view that growth in Egypt will pick up from 3.2% in FY2023/24 to 4.2% in FY2024/25. The acceleration will be driven by stronger growth in investment spending, which will counterbalance slowing private consumption demand growth and a weak performance from key export sectors.
- The latest figures suggest that domestic demand and exports will be even weaker than we had earlier expected.
- Risks to our outlook are balanced, but the war in Gaza is the key downside risk to the growth outlook.

We forecast that Egypt's real GDP growth will accelerate from 3.2% in FY2023/24 (July 2023 – June 2024) to 4.2% in FY2024/25. While we kept our headline FY2023/24 estimate and FY2024/25 forecast unchanged from the previous quarter, we have amended the profile of the growth drivers following the release of the Q2 FY2023/24 GDP data. We now foresee a slowdown in domestic demand and smaller pick up in exports, against stronger investment activity and government consumption (*see chart below*).

Private Consumption No Longer Driving Pick-Up In Growth

Egypt - Real GDP Growth, % & Components, pp contribution

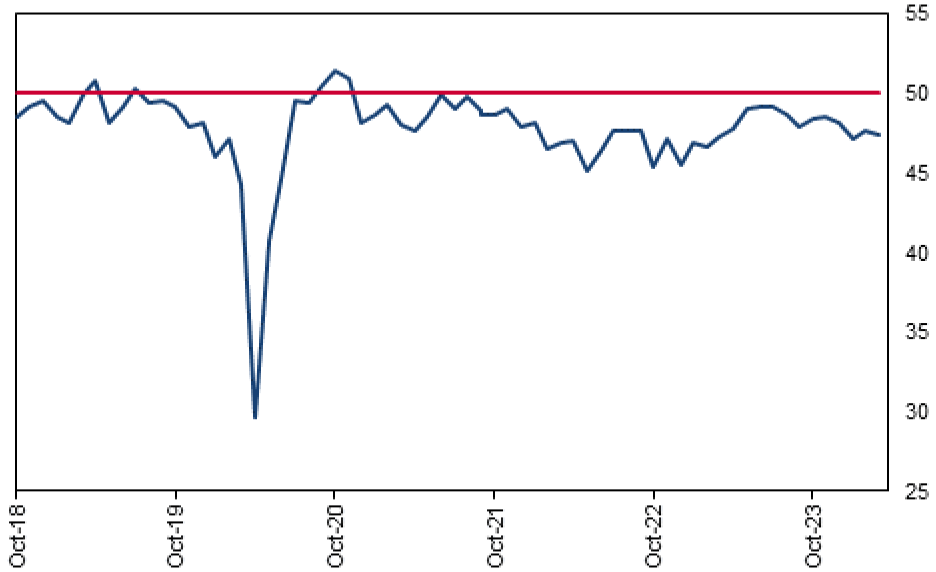


e/f = estimate/forecast. Source: BMI

The slowdown in domestic demand reflects unfavourable base effects and structural weaknesses. The cost of living remains high after two years of inflation exceeding 20.0% and the inability of real wages to adjust. At the same time, borrowing costs have significantly increased, especially after the 800bps increase in policy rates in February and March. Furthermore, the increases in administered prices, such as electricity, telecommunications and fuel, mean that utility bills will consume a larger share of household income, leaving less room for spending on non-basic goods. Indeed, in the most recent business survey in the country, businesses pointed to a weakness in demand conditions. High frequency data point to a sharper contraction in private sector activity (*see chart below*).

Non-Oil Economy Still Under Pressure

Egypt - Purchasing Managers Index

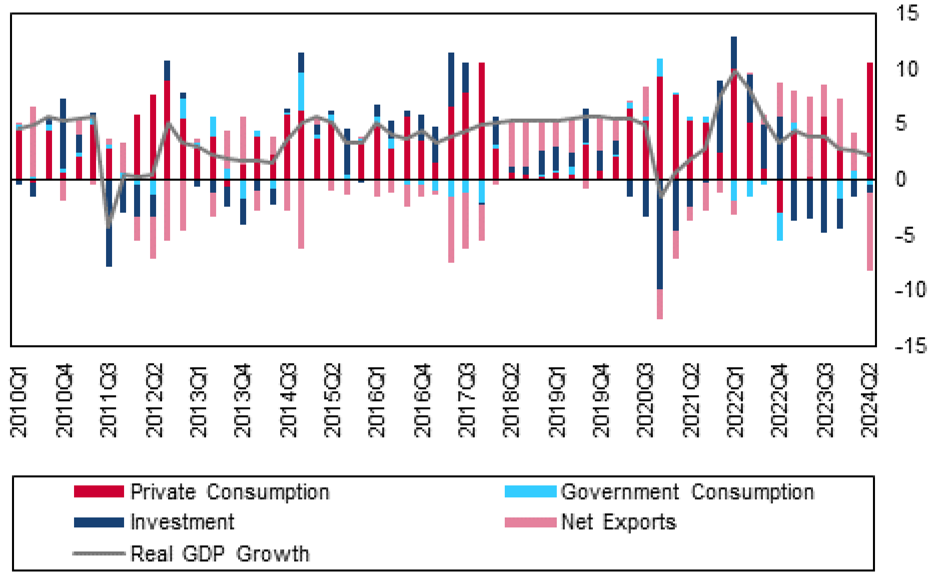


Source: Macrobond, BMI

Nonetheless, private consumption's contribution to growth will be higher than we previously expected. Q2 FY2023/24 GDP data showed 13.2% y-o-y growth in private consumption (*see chart below*), due to easing inflation and an increase in social spending that was amplified by favourable base effects. Given that inflation has continued to decline (we recently revised our December 2024 inflation forecast from 30.0% to about 25%), and the authorities have since further increased social spending and the minimum wage, we expect that private consumption will be stronger than we previously anticipated. We also expect remittance inflows to rise, not only because of strong economic activity in host countries, such as the GCC, but also because the unification of the exchange rates in early March made it more convenient to conduct money transfers through the official market in a timely manner.

Q2 FY2023/24 Data Show Steep Export Fall But Stronger Than Expected Consumption Growth

Egypt - Quarterly Real GDP Growth, % & Components, pp contribution

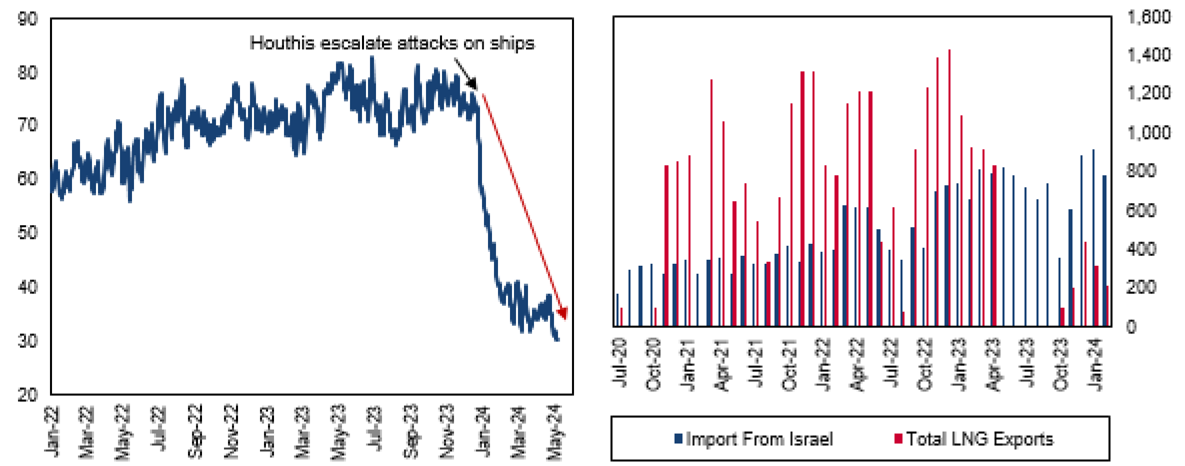


Source: MPED, BMI

While net exports will positively contribute to growth in FY2024/25, we now foresee a smaller contribution than before. The contribution of net exports to growth has shifted to negative in Q2 FY2023/24 (*see chart above*), largely because of falling exports of goods and services. We think that this trend will persist at least into H1 FY2024/25. This is because the Red Sea crisis, which started in December 2023, will continue to disrupt transport receipts at least until December 2024 (previously we had expected a resolution of the crisis by June 2024). At the same time, hydrocarbon exports have been falling by more than we had expected due to elevated demand and lower gas production (*see charts below*), prompting us to reduce our goods exports forecast. Indeed, the authorities will halt LNG exports between May and September 2024 to meet increasing electricity demand during the summer season. Against this, we foresee slightly stronger import activity due to improved bank liquidity that will enable financing for non-essential goods.

Suez Canal And Hydrocarbon Exports Will Weigh On Exports

Egypt - Suez Canal Daily Transit Calls (LHC) & Pipeline Gas Imports/Total LNG Exports (RHC), mn cubic meters per day



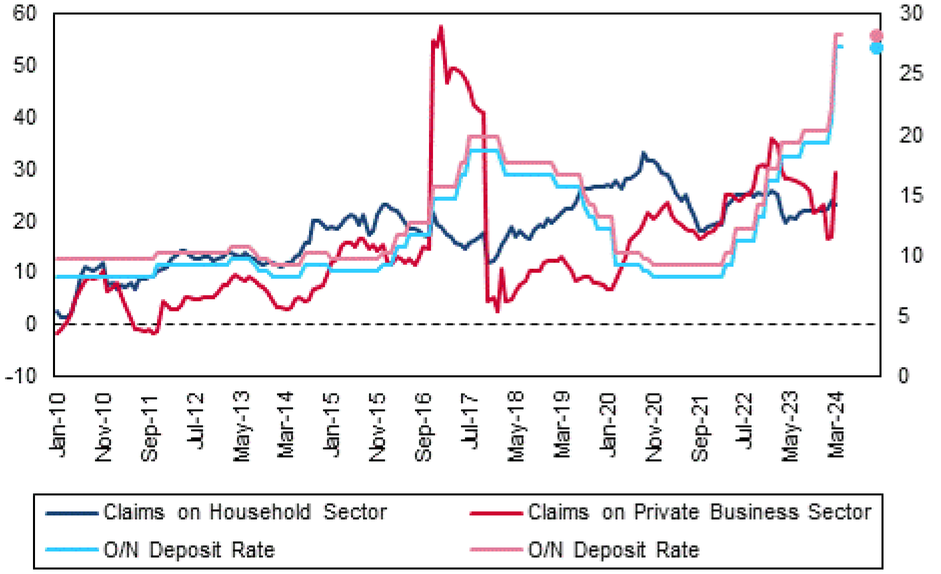
Source: PortWatch, Macrobond, BMI

Nonetheless, some normalisation of navigation through the Red Sea from January 2025 onwards, along with favourable base effects, will provide support to export growth in H2 FY2024/25. At the same time, we foresee strong non-hydrocarbon export activity due to competitiveness gains after the weakening of the currency and increased availability of FX to finance raw material. Together, these factors will help net exports to shift from being a drag on growth in FY2023/24 to supporting headline growth in FY2024/25.

Finally, foreign investment will be key to supporting investment activity in the country. The scaling back of state-driven investment has significantly weighed on investment activity in FY2023/24. At the same time, the challenging operating environment has discouraged local investment and resulted in limited progress on the divestment programme. In FY2024/25, we continue to expect limited capital spending, but progress on the privatisation plan will lead to a pick-up in investment activity. Nonetheless, despite rising y-o-y, investment activity will be weaker than we previously expected. This is due to the substantial increase in borrowing costs (*see chart below*). While we expect monetary policy easing cycle starting in calendar year 2025, the pass-through will be felt in FY2025/26.

Borrowing Cost Will Discourage Lending

Egypt - Credit Growth & Policy Rates, %



Note: Dot refers to end-of-year forecast. March increase is due to valuation impact post-currency selloff. Source: CBE, BMI

Risks to the outlook are balanced. An earlier-than-expected normalisation of navigation through the Red Sea will prompt us to revise up our growth forecast. In contrast, a spillover from the war in Gaza into Egypt, especially after Israel's offensive in Rafah, will weigh on the Egyptian economy through the tourism and investment channel. This would also translate into a weaker exchange rate that would reverse the slowdown in inflation and prompt more monetary policy tightening, weighing on investment and domestic demand.

Egypt Growth Outlook

Forecast	FY2023/24e	FY2024/25f	Notes
Real GDP growth, %	3.2	4.2	Growth will accelerate on stronger investment activity and government consumption, while net exports will benefit from stronger non-oil exports and a rebound in Suez Canal receipts in H2 FY2024/25.
Private consumption	3.6	2.2	Growth in private consumption will slow due to elevated cost of living and higher borrowing cost. Strong remittance inflows and rising social spending will contain the slowdown.
Government consumption	0.0	0.5	Government consumption will increase on higher social spending.
Fixed capital formation	0.1	0.9	Foreign investment through the divestment programme will support investment activity. We foresee some pickup in local invesmtent as the challenging operating environment starts to ease, but the high borrowing cost will continue to be a hurdle.
Net exports	-0.5	0.7	In H1 FY2024/25 exports will continue to pressured by lower Suez Canal receipts and falling hydrocarbon exports. In H2, this will reverse, which along with stronger non-oil exports will shift net exports to positive.

Note: Numbers reflect percentage point contribution to growth unless mentioned otherwise. e/f = estimate/forecast. Source: BMI

Industry Risk/Reward Index

Egypt Real Estate Risk/Reward Index

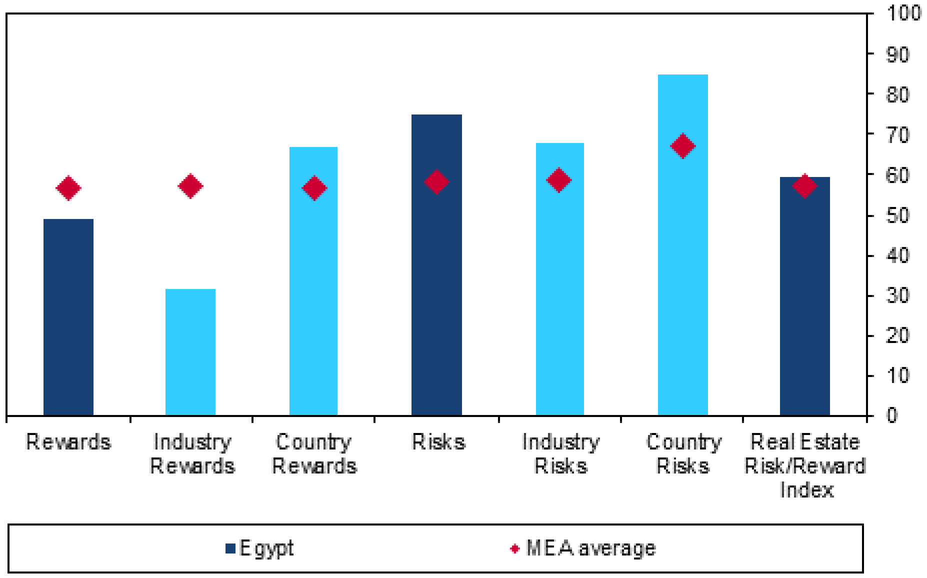
Please Note: *BMI is enhancing its risk analysis with a new scoring system following its acquisition of GeoQuant, a market-leading provider of political risk data. From March 27 2024, risk scores are inverted: zero now represents the lowest risk and 100 represents the highest risk. This allows for clearer, industry-standard assessments. For further details, please refer to our updated methodology document.*

Key View: *Egypt's commercial real estate landscape benefits from a strong Rewards profile, with developers and investors set to benefit from strong growth in the industry, and in the local banking sector. However, risks in this market are high, on the back of a volatile political and economic outlook.*

Egypt scores 59.4 out of 100 in our overall Real Estate Risk/Reward Index. Under our new scoring system, where 0 is the strongest score and 100 the weakest, Egypt does not meet the global average score of 50.0. However, on a regional basis its score is only slightly poorer than the average, 57.3, of the eight Middle East and African (MEA) markets that we cover for commercial real estate. Saudi Arabia takes first place, with a score of 43.4 out of 100, followed by Qatar, the UAE and Kuwait. Egypt is then in fifth place, followed by Bahrain with 61.5, Kenya (70.7) and South Africa (72.2).

Strong Rewards, But Risks Are High

Egypt vs MEA - Real Estate Risk/Reward Index



Note: Scores out of 100; lower score = more attractive market. Source: BMI

Rewards

The Rewards section offers an evaluation of the commercial real estate sector's size and growth potential in each market, along with broader industry/state characteristics that may inhibit its development. Under our new scoring matrix, the stronger the rewards on offer in a market, the lower the score, with 0 indicating the strongest rewards. Overall, Egypt scores 49.1 out of 100 for Rewards, a better score than the regional average of 56.8 for the eight MEA markets we cover.

Industry Rewards

Egypt scores a fairly strong 31.4 out of 100 for Industry Rewards, with the score supported by a positive outlook for real estate industry value growth and commercial bank client loan growth. For Industry Rewards Egypt is in first place, just ahead of Saudi Arabia on 33.1.

Country Rewards

Egypt has a poorer score for Country Rewards, at 66.9, significantly weaker than the regional average of 56.5, and coming in seventh out of the eight MEA markets we cover. Egypt's score is held back by high financial barriers to market entry, as well as the fact that more than half of the population still live in rural areas, holding back demand for significant commercial real estate developments.

Risks

The Risks section offers an evaluation of industry-specific dangers and those emanating from the market's political and economic profile that call into question the likelihood of anticipated returns being realised over the assessed time period. Under our new scoring system, the higher the score the higher the risks. Egypt scores a high 74.7 out of 100 for Risks, significantly higher than the regional average of 58.1, and in seventh place in our regional ranking, just above South Africa (74.6) and below last-placed Kenya (78.7). Scores in the more stable Gulf markets that we cover range from a low of 39.9 for Kuwait to 53.8 for the UAE.

Industry Risks

Egypt scores a fairly high 67.8 out of 100 for Industry Risks, well above the regional average of 58.6. Egypt's score is held back by a poor property rights environment, which raises serious risks for investors, as well as the high risk of rent volatility.

Country Risks

Egypt scores 85.1 for Country Risks, with uncertainties across the short- and long-term economic outlooks and political outlook. Regional tensions as a result of the Israel-Hamas war and Houthi activity in the Red Sea have recently raised the risk outlook in Egypt. As a result, Egypt's score is much higher than the regional average of 57.4, with the country coming in second last place, ahead of only Kenya (87.0).

Market Overview

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 and geopolitical tensions, including the impact of the Israel-Hamas war, 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.

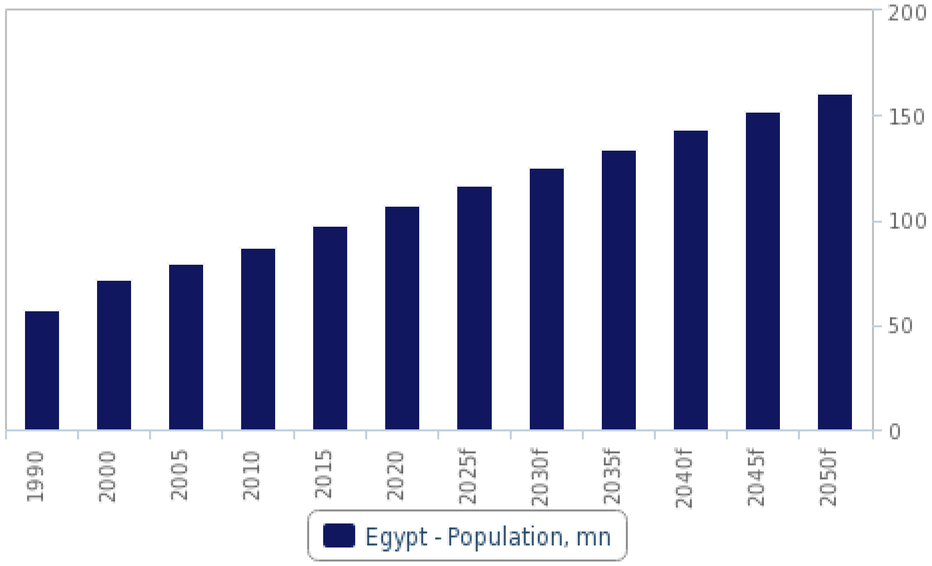
Egypt Demographic Outlook

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

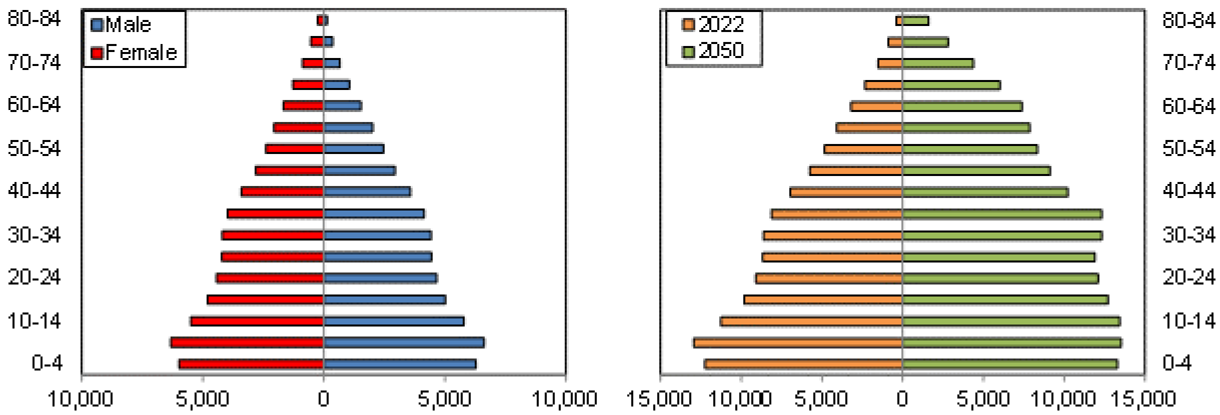
Egypt - Population, mn (1990-2050)



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.

Real Estate Risk/Reward Index

Our Real Estate Risk/Reward Index (RRI) quantifies and ranks a market’s attractiveness within the context of the Real Estate industry, based on the balance between the **Risks** and **Rewards** of entering and operating in different markets.

We combine industry-specific characteristics with broader economic, political and operational market characteristics. We weight these inputs in terms of their importance to investor decision-making in a given industry. The result is a nuanced and accurate reflection of the realities facing investors in terms of first the balance between opportunities and risk and second between industry-specific and broader market traits. This enables users of the index to assess a market's attractiveness in a regional and global context.

The index uses a combination of our proprietary forecasts and analyst assessment. As forecasts change, so the index scores change providing a highly dynamic and forward-looking result.

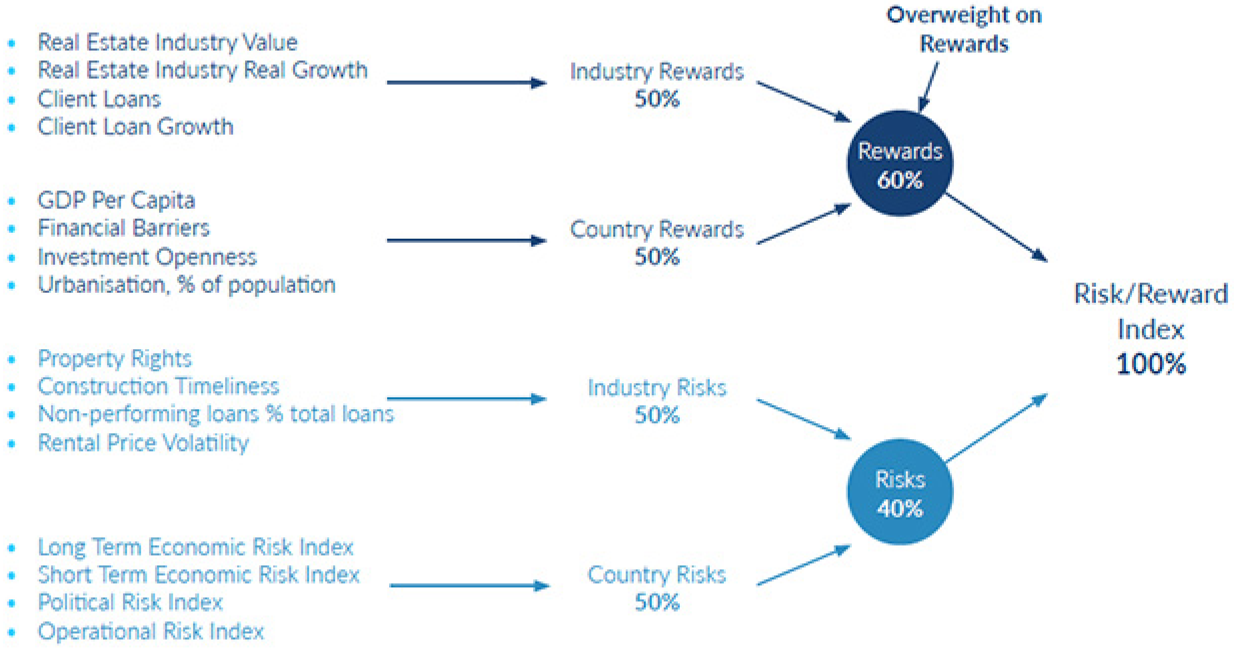
The Real Estate Risk/Reward Index universe comprises **44 markets**.

Benefits Of Using Our Real Estate RRI

- **Global Rankings:** One global table, ranking all the markets in our universe for Real Estate from most attractive (closest to zero) to most risk (closest to 100).
- **Accessibility:** Easily accessible, top-down view of the global, regional or sub-regional Risk/Reward profile.
- **Comparability:** Identical methodology across 44 markets for real estate allows users to build lists of markets they wish to compare, beyond the confines of a global or regional grouping.
- **Scoring:** Scores out of 100 with a wide distribution provide nuanced investment comparisons. The higher the score, the less favourable the profile.
- **Quantifiable:** Quantifies the rewards and risks of doing business in the real estate industry in different markets around the world and helps identify specific flashpoints in the overall business environment.
- **Comprehensive:** Comprehensive set of indicators, assessing industry-specific risks and rewards alongside political, economic and operating risks.
- **Entry Point:** A starting point to assess the outlook for the real estate industry, from which users can dive into more granular forecasts and analysis to gain a deeper understanding of the market.
- **Balanced:** Multi-indicator structure prevents outliers and extremes from distorting final scores and rankings.
- **Methodology:** The index is a combination of proprietary BMI forecasts, analyst insights and globally acceptable benchmark indicators .

Weightings Of Categories And Indicators

Real Estate Risk/Reward Index



Source: BMI

The RRI matrix divides into two distinct categories:

Rewards: Evaluation of an industry's size and growth potential (**Industry Rewards**), and macro industry and/or market characteristics that directly impact the size of business opportunities in a specific industry (**Country Rewards**).

Risks: Evaluation of micro, industry-specific characteristics, crucial for an industry to develop to its potential (**Industry Risks**) and a quantifiable assessment of the political, economic and operational profile (**Country Risks**).

Assessing Our Weightings

Our matrix is deliberately overweight on **Rewards** (60% of the final RRI score for a market) and within that, the **Industry Rewards** segment (50% of final Rewards score). This is to reflect the fact that when it comes to long-term investment potential, industry size and growth potential carry the most weight in indicating opportunities, with other structural factors (demographic, labour statistics and infrastructure quality) weighing in, but to a slightly lesser extent. In addition, our focus and expertise in emerging and frontier markets has dictated this bias towards industry size and growth to ensure we are able to identify opportunities in markets where regulatory frameworks are not as developed and industry sizes not as big as in developed markets, but where we know there is a strong desire to invest.

Real Estate RRI Indicators – Explanation And Sources

	Source	Rationale
Rewards		
Industry Rewards		
Real Estate Industry Value	BMI	Size of the real estate industry indicates potential for opportunities and scale of operations. USDbn, five-year average forecast.
Real Estate Industry Growth	BMI	Growth of the real estate industry indicates potential for increased opportunities. Five-year average forecast.
Client Loans	BMI	Real estate projects are long-term and capital intensive, with most finance obtained from commercial banks. Indicates funding availability.
Client Loans Growth	BMI	Assesses the prospects of finance stability over a five-year period. A growth in client loans indicates a favourable lending environment.
Country Rewards		
GDP Per Capita	BMI	The wealth of the population indicates demand for real estate. Higher GDP per capita correlates with the expansion of the middle class, which is a key market for real estate. USD, five-year average forecast.
Investment Openness	BMI Operational Risk Index	Measures how open a market is to investment inflows and the opportunities to realise investment benefits.
Financial Barriers	BMI	Assesses the availability of financial services and the regulatory structures around financial markets.
Urban Population, % of total	United Nations Population Statistics	High and growing concentration of population in urban areas are more conducive to real estate development, as they have more mature markets. Five-year average forecast.
Risks		
Industry Risks		
Property Rights	Heritage Foundation	Assesses the extent to which a market's legal framework allows individuals to acquire, hold and use private property. A useful measure of the degree to which a market's laws protect private property rights.
Construction Timeliness	BMI	Assesses risks to realising potential rewards based on the risk of delays to project development.
Non-Performing Loans, % of total loans	BMI	Measures the risk of non-performing loans on the banking system as well as real estate markets. High non-performing loan ratios affect lending policies by banks, leading to restrictive lending policies.
Rental Price Volatility	BMI	Measures the volatility of rental prices over the short term. Volatile rental prices pose a risk to investors looking to acquire property with the aim of making a return on investment.
Country Risks		
Long-Term Economic Risk Index	BMI Country Risk Index	Takes into account the structural characteristics of economic growth, the labour market, price stability, exchange rate stability and the sustainability of the balance of payments, as well as fiscal and external debt outlooks for the coming decade.
Short-Term Economic Risk Index	BMI Country Risk Index	Seeks to define current vulnerabilities and assess real GDP growth, inflation, unemployment, exchange rate fluctuation, balance of

	Source	Rationale
		payments dynamics, as well as fiscal and external debt credentials over the coming two years.
Political Risk Index	BMI Country Risk Index	The Political Risk Index is a score made up of the mean average across three distinct pillars: Governance Risk, Society Risk and Security Risk. These are aggregated into an overall assessment of Political Risk.
Operational Risk Index	BMI Operational Risk Index	Focuses on existing conditions relating to four main risk areas: Labour Market, Trade & Investment, Logistics and Crime & Security.

Source: BMI

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