



B2B for Investment and Real Estate Marketing

# THE FUTURE OF COASTAL TOWN INVESTMENTS: EGYPT'S NORTH COAST

Research and Development  
Department

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### *A Glimpse of the Real Estate Market in Egypt*

The Residential and Commercial real estate sectors in Egypt are currently booming, with the market responding to the continuously growing demand. Despite the economic reforms affecting most private consumption negatively in 2016 and 2017, contrastingly, the real estate sector has been increasingly targeted by investors -foreign and domestic. This trend steadily continued throughout 2017 and is expected to continue throughout 2018 as well, with forecasted indications of growth continuing till 2026 according to World Bank and Euler Hermes reports.<sup>1</sup>

This remarkable growth within the real estate sector has been criticized for being unsustainable on the long run. However, according to established key trends within emerging and developing economies, real estate investment is a key aspect of economic growth that is usually sustained steadily due to its market reliability as a safe investment.

Real Estate is often not only a highly rewarding but also the only reliable form of investment in emerging economies such as Egypt.

Accordingly, Real Estate developers are rushing to offer the market with a multitude of choices under competitive pricings, which consequently has been leading to increased demand in Q3 of 2017 and Q1 of 2018. Major developers have also acquired land for residential as well as commercial development in and around the New Administrative Capital -NAC- and New Alamein City as part of the government's grand strategy to increase urban development and decrease the dense population concentration within Greater Cairo and Alexandria.

### *Sahel Investment Indicators*

Nothing adds a premium to the price of a real estate unit like a beachfront location. A house situated within walking distance to a beach is always substantially more expensive than a similar unit in the middle of the city. This has always been reflected in pricing of units in Sahel, making the investment into buying a second or third home on the Egyptian Mediterranean coast a rather pricey one. However, in recent years Sahel has

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<sup>1</sup> Country Economic Trends and Forecast Report – Published April 2018.

gotten bigger; it has become a prominent -if not a must go - destination every summer for the millennial generation. Instead of old school family-oriented summer vacations on the coast, Sahel has been overturned within the last couple of years. It has become a destination for non-stop beach parties, weddings, and even premium retailers all summer long. Accordingly, demand has sky rocketed with pricing of units exponentially increasing in the last five years than it ever did in the last twenty years, more so than the normal housing market for any real estate in other locations within Egypt.

In response, not only did real estate developers take notice but so did the government. Developers and the government have started capitalizing on this huge collective demand for acquiring second homes and commercial units in Sahel. In addition to an abundance of new and developing projects lining the coast from Alexandria all the way to Sidi Abdelrahman, the government's newly announced plan of establishing New Alamein City has also been critical for real estate in Sahel.

New Alamein City will include an airport and a much-needed new road network to facilitate ease of transportation. The city is also meant to be a year-round destination for

residential and commercial purposes. This will effectively turn Sahel from a seasonal destination to a stable city with full facilities all year, in turn exponentially increasing the value of all real estate in its proximity all across the coast.

These highway routes not only increase accessibility to the new expansion areas, but they also facilitate commercial development and relocation, therefore tremendously increasing the value of real estate in those areas by an estimated 30-60% according to real estate experts.<sup>2</sup> Thus, making real estate investment in those new areas a golden opportunity for foreign and domestic buyers. Therefore, expected to increase demand as well as prices for Sahel units for next summer.

Buying real estate in coastal towns is internationally recognized as one of safest and most rewarding investments despite its hefty price.

### *Sahel Investment Outlook*

The government's newly announced New Alamein City mega project undoubtedly affects real estate over the entire coastal stretch on the Mediterranean, effectively acting as a demand catalyst for real estate in Sahel this year as well as the next couple of

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<sup>2</sup> Focus Economies, Economic Forecast for Egypt, 2018.

years. Unit values are expected to increase by a minimum of 20% over the next year and for the trend to continue over the next three years according to investment experts.

This is not only due to the new road network facilitating development of the coastal area from a seasonal destination into a year-round fully serviced residential location, but also due to the banking investment returns getting slashed with year as well. With the Central Bank of Egypt cancelling all high return investment and saving certificates, which leaves real estate as the only option for high return investments. Therefore, becoming a much-demanded target of investment, especially for expats and previously banking-investment loyalists.

Conclusively, despite how expensive investment into a beachfront property has always been, it continues to be among the most rewarding and safest investments due to real estate in coastal locations being rather immune to real estate pricing downturns and crisis. The continuous demand -as evident in the Egyptian market- secures a steady trend for pricing increases and a safe return on investment.

Finally, with the latest development in the government's grand strategy to increase urban development and focusing on the Mediterranean coastal stretch with the announcement of New Alamein City, it indicates a secure

future for the Sahel real estate market. Consequently making buying a unit in Sahel a golden investment opportunity that should not be missed due to the secure high return on investment rates it guarantees within the near future.

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