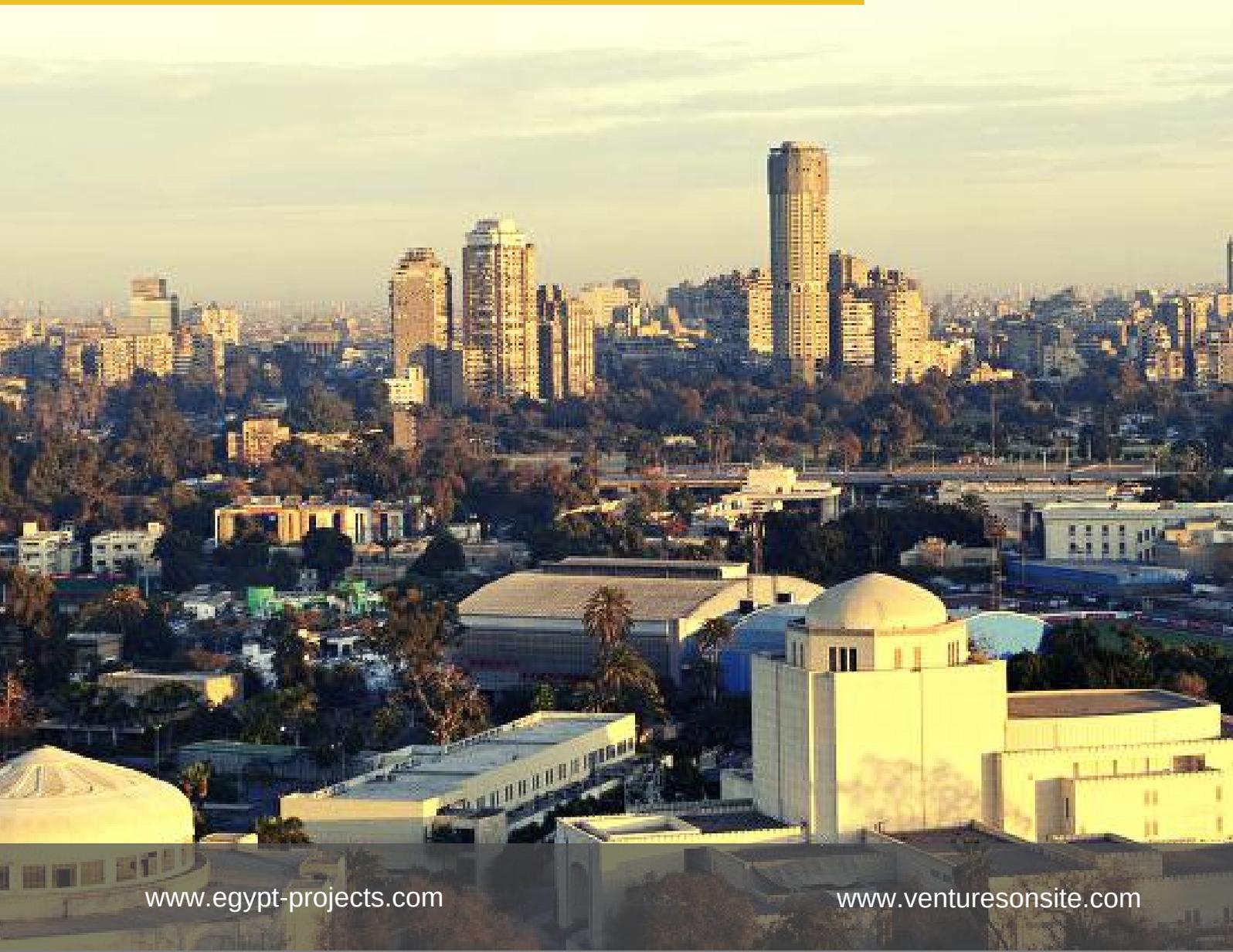


# EGYPT CONSTRUCTION MARKET

PREPARED BY VENTURES ONSITE  
FOR EGYPT PROJECTS



## EGYPT'S ECONOMIC OUTLOOK

Recent studies rank Egypt in the top 10 fastest developing economies in the coming decade. Standard Chartered Bank has predicted that Egypt is likely to be one of the top 10 economies by 2030.

According to economists, Egypt is expected to have the strongest economic growth in the Arab world in 2019 with a growth rate ranging between 5% and 6%. The country has recently shown signs of economic improvement through tough economic reform measures, including tax increases and reductions in energy subsidies recommended by the International Monetary Fund (IMF), which supports the country's economic reform plan.

Currently, Egypt's growth rate is among the highest in the region. According to the United Nations World Economic Situation and Prospects (WESP) 2019. A recovery in domestic demand, particularly private consumption, is forecast to sustain Egypt's economic growth at 5.2% in 2019. Moreover, in 2019, the monetary policy stances are anticipated to be neutral to tightening in North Africa, including Egypt, predict experts. Egypt's budget deficit is forecast to reach 7% in 2019-20, inflation is on track to reach the Central Bank of Egypt's target of single digits by 2019-end.

The IMF Managing Director announced that the IMF had finalised the details required to present a fourth review for Egypt's Extended Fund Facility, which is supported by a total of US\$ 12 Bn from the fund. The fourth review is expected to make available US\$ 2 Bn, bringing total disbursements under the Extended Fund Facility to date to US\$ 10 Bn.

Beyond Egypt, the North Africa region is estimated to have grown by 3.7% in 2018, according to the WESP, adding that the recent economic expansion reflects improving external conditions with higher commodity prices and strong growth in European economies, the largest export destination. The economic growth of North Africa is forecasted to moderate slightly to 3.4% in 2019 and 3.5% in 2020.

The economic reform program helps promote confidence in the Egyptian economy's performance and ability to attract investments, which increases productivity rates and improves competitiveness. The Organisation for Economic Cooperation and Development (OECD) has raised Egypt's rating on the country risk index from level six to five as an attractive destination for investment. Raising the rating of Egypt on OECD's index will contribute to attracting capitals for financing and implementing major national projects across the country.

Egypt is anticipated to gain a substantial amount of foreign direct investments (FDI) by 2019-end. FDIs are expected to reach US\$ 20 Bn by the end of the government's development plan in 2022, driven by ongoing economic reforms. Egypt's investment inflows increased and the country occupied the fifth position among countries that attract investments. The authorities are implementing the subsidy reform, which is very important not only for foreign investors but also for the state budget.



## EGYPT BUDGET 2019/2020

The Egyptian government targets a GDP growth of 6.5% in the coming fiscal year (FY) 2019/20 up from 5.3% in FY 2018/19. The 2019/20 budget will take into account the goals of the IMF-backed economic reform programme, and sustainable development plan, adopted by the government from 2018 to 2022. The plan aims to increase Egypt's growth rate gradually until it reaches 8% in FY 2021/22. Egypt is targeting a budget deficit of 7% of GDP for the 2019-20 FY that begins in July, compared with 8.4% in the previous year. The budget deficit is expected to reach US\$ 24 Bn in 2019-20. The draft budget also mentions that Egypt targets an inflation level of 10.9%.

According to official statement issued by Presidential spokesman Bassam Radi, President Sisi directed the committee to work on reducing the public debt and budget deficit in the new budget by continuing the implementation of the comprehensive economic reform program. Radi added in his statement, that the proposed budget reflected the government's plan to reduce the public debt rate as a percentage of GDP to reach 80-85% by the end of June 2022.

## OVERVIEW OF EGYPT'S CONSTRUCTION MARKET

North Africa is likely to grow at a rapid pace globally in 2019 as regional governments continue to invest in infrastructure projects. Egypt is expected to drive most of the region's construction activity. Egypt's construction industry is one of largest contributors to the GDP. The government has given high priority to the sector in its agenda, ensuring that there will be a plethora of contracts available in the future. Egypt has also witnessed a shift towards greater private sector involvement over the past decade.

According to Fitch Solutions, Egypt's construction sector is projected to grow by 10.8% year-on-year in 2019 as government investment backs a packed pipeline of projects aimed at addressing inadequate infrastructure and the needs of fast-growing population, with numerous power, commercial, industrial and transport developments under construction.

Egypt's buildings and infrastructure construction sectors have more than 1,200 active projects totaling to over US\$ 375 Bn. The value of projects awarded to contractors in 2018 equals to over US\$ 26 Bn.

### Major buildings and infrastructure projects awarded in Egypt in 2018

Name	Client	Consultant	Contractor	Project Value (US\$ Mn)
Russian Industrial Zone in Suez Canal	General Authority for the Suez Canal Economic Zone, Egypt, Ministry of Trade and Industry, Egypt	--	Technopolis Company	4,600
Greater Cairo Metro - Line 6	National Authority for Tunnels (NAT), Egypt, Ministry of Transport, Egypt	Bombardier Transportation, Canada	Bombardier Transportation, Canada	4,000
New Administrative Capital - Towers District	Ministry of Housing and Construction, Egypt	Dar Al Handasah Consultants (Shair and Partners)	Multiple Contractors	3,000
Oia Compound in New Capital	Edge Holding	--	Al Boroj Constructions Company	1,072
Bo Sidi Abdel Rahman - Bo Sands	Maxim Real Estate Investments, Egypt	AECOM	Arabeya for Housing and Construction	740
Senbellawein Wastewater Treatment Plant	Ministry of Housing, Utilities & Urban Development, Egypt, Ministry of Housing, Utilities, and Urban Communities, Egypt	--	Hassan Allam Construction, Veolia Water Solutions and Technologies	550
Second Container Terminal in Damietta Port	Damietta Port Authority	Maritime Research and Consultation Center (MRCC), Geotechnics	Petrojet (Petroleum Projects and Technical Consultations Company)	400
Stella Park in New Administrative Capital	Remco Tourism Villages Construction Co. (RTVC), Egypt	Remco Tourism Villages Construction Co. (RTVC)	Remco Tourism Villages Construction Co. (RTVC)	250
Jefaira	Inertia Holding Group, Egypt	Profilierz, 10 Design	Inertia Construction	240
Pukka Project in New Administrative Capital	MBG Development	RMC Consultant	MBG Development	227

Source: Ventures ONSITE Project Intelligence Platform: [www.venturesonsite.com](http://www.venturesonsite.com)

# BUILDING CONSTRUCTION MARKET OVERVIEW

The building construction market in this report consists of residential, education, museum, hospital, hotels, retail and industrial sectors.

## RESIDENTIAL

Egypt has planned various new cities and urban spaces to address a serious housing shortage, as well as increasing demand by the middle class for less crowded residential options and better lifestyles. The Ministry of Housing, Utilities and Urban Communities says Egypt needs to build 500,000 to 600,000 new homes each year to meet the demand.

The New Urban Communities Authority (NUCA) has managed to develop 375 real estate projects in different cities with investments estimated at US\$ 0.28 Trn, according to Waleed Abbas, the assistant housing minister of the NUCA. The ministry has issued 115 ministerial approvals on new real estate projects, distributed over 15 cities during the past year, including 23 projects in the New Administrative Capital. MBG has recently obtained the ministerial approval for Pukka project's construction in the New Administrative Capital, which is being developed over four phases. The company is developing the Pukka project on 50 feddan with investments of US\$ 0.11 Bn (EGP 2bn).

Egypt's strategic plan for 2050 aims to increase urban areas to reach 14% from 7%. Egypt is set to construct 20 new cities of the fourth generation in bid to improve life quality, increase residential area. Egyptian Prime Minister Mostapha Madbouly, confirmed the reports and said that the county's new Urban Communities Authority of the Ministry of Housing will build the cities in a total area 243,600 hectares and is expected to accommodate about 30 Mn people. These new cities will be located in the provinces of Cairo, Giza, Qalyubia, Matrouh, Daqahliya, Beheira, Port Said, North Sinai, Beni Suef, Minya, Assiut, Qena, Luxor and Aswan, while the largest such city is the New Administrative Capital.

According to Cairo-based planning expert, Saif al-Ddin Farag, the fourth generation cities are integrated cities in terms of availability of services and the use of advanced technologies in infrastructure and facilities. The new cities will house a new Administrative Capital, distinctive residential plots of land, integrated urban projects and malls, residential projects, integrated urban communities, wholesale market, dry port and a city for craftsmen, social housing units, service projects, seawater, desalination plant, industrial zone and logistics areas.

According to latest news report, the first phase of New Mansoura is planned to comprise 24,861 housing units, of which 11,232 and 4,704 housing units are being implemented as part of Dar Misr and Sakan Misr projects. Works are ongoing on 1,392 housing units and 1,149 villas in the state's distinctive housing project, and the government plans to implement six towers. In New Aswan, 66 fully finished villas are being implemented in the 1,050-acre tourist strip, which includes an entertainment commercial complex, hotel, beach garden, touristic promenade, and villas area.

Ground has already been broken for housing developments on New Alamein City on the Mediterranean, El Galala City along the Red Sea coast near Ain Sokhna, New Ismailia City on the Suez Canal and New Mansoura City in the Nile Delta. Once complete, these cities are expected to double the inhabited land area from 6% of the total to 14% by 2030.

## **EDUCATION**

There has been a 21% rise in the financial allocations to the education sector. Egypt's government plans to issue tenders for the second phase of a government programme to develop 200 schools under a public-private partnership (PPP) framework in Q1 2019. Piling works have also commenced on New Mansoura University, which spans across 67 acres.

## **INDUSTRIAL**

Egypt is set to complete 13 industrial complexes in 2019, out of 22 complexes the government aims to construct in accordance to the strategy set by the ministry until 2020.

According to the Minister of Trade and Industry Amr Nassar, the complexes will be completed in 12 governorates and will have 4,300 industrial units. 9 out of the 13 will be allocated to Upper Egypt that were left out during the past period. Head of New Fayoum City Authority Ashraf Abdulrahman has announced the launch of a 50-acre new industrial zone project, east of New Fayoum's residential district, on the Western Desert Road.

According to the official, the development will open new horizons for job opportunities, besides contributing to increasing investment inflows into the new city. Located in Fayoum Governorate's Howara area, New Fayoum is considered one of the fourth generation cities to be established by Egypt's government.

## **HOSPITALS**

Egypt-based property developer Alassema Real Estate plans to launch a new healthcare project at the New Administrative Capital (NAC), dubbed Medical Capital City (MCC).

## **RETAIL**

Construction works on the Grant Square Mall in Egypt's first integrated smart city famously known as the New Administrative Capital (NAC), is set to commence with a total investment estimated at US\$ 42 Mn. Hesham ElKhouly, Chairperson of Pyramids Developments confirmed the reports and said that the company has already began drilling works for the construction project, which will be the first commercial administrative medical mall in the business district.

The mall is expected to be complete and fully functional by 2020-end, according to a plan set by the Administrative Capital for Urban Development (ACUD) Company.

## HOTELS

Egypt is the leader in new hotel developments in Africa with over 50 hotel projects currently underway. BMI expects the number of hotels in Egypt to number around 930 by 2021. The Ministry of Tourism last November announced that the government plans to establish a new private equity fund in order to upgrade Egypt's hotels as well as to provide new investment opportunities in the sector.

Orascom is expected to develop two hotels in Egypt in 2019 with Thomas Cook (The Casa Cook hotel will open in a prominent area of the Red Sea development, while Cook's Club will open in El Gouna). Hilton hotels worldwide had also announced that it aims to increase the number of hotel rooms it manages in Egypt by 40% by 2022-end.

## MUSEUM

The Grand Egyptian Museum (GEM) is considered one of Egypt's most iconic building in attracting tourism and reviving the country's main source of income.

According to Tarek Tawfik, the General Director of the GEM, the construction works of the museum are due to end by the mid- 2019, and there are several ministries currently working on choosing the appropriate date of the year 2020 to open. Egypt is funding the project on its own, and has received two loans with a total of US\$ 750 Mn from Japan.



# INFRASTRUCTURE CONSTRUCTION MARKET OVERVIEW

The infrastructure construction market in this report consists of ports, roads, bridges, railways.

There has been huge emphasis to improve transport infrastructure in Egypt due to rapid population growth and housing. The government has made urban transport by incorporating metro, light rail and river transport as a key priority of Vision 2030. According to the G20's Global Infrastructure Outlook, Egypt will require US\$ 675 Bn of investment over the next 20 years to meet their infrastructure needs.

During this period, Egypt could provide up to US\$ 445 Bn in financing, but requires US\$ 675 Bn to meet its needs, resulting in a US\$ 230 Bn investment gap. The transport sector alone accounts for US\$ 180 Bn of the total investment gap. Transport infrastructure has huge potential for private investments, which could help create jobs and contribute to developing Egypt's human capital.

The State Sustainable Development Strategy "Egypt 2030" emphasises a great deal on the transport sector to achieve economic and urban development, which is reflected in the government program. The most important development projects in Plan 2030 for the development and improvement of the sector includes the following:

- Developing the river transport sector, investing in the construction of modern river ports in the following governorates (Qena, Sohag and Assiut) by 2025-end.
- Developing and extending the road network to serve development purposes.
- Development of the Egyptian railway

## PORTS

In July 2018, Egypt's Ministry of Transport and the Arab Academy for Technology and Maritime Transport held a meeting to review the development of the overall plan for Egyptian seaports until 2030. The institutions reviewed the study elements prepared by the specialised committee, which concluded with the contract of the Maritime Studies and Consultancy Centre in cooperation with German company HPC Hamburg Port Consulting GmbH.

The plan aims to maximise the competitive advantage of Egyptian ports to serve international trade, increase their share of global transshipment, and ensure optimal use of the assets and increase productivity and efficiency of the operation and expansion of the harbours.

## **ROADS**

In west Assiut's Nasser City, the first phase of the 22.5 km Hadaba Road, which links west Assiut with Nasser City, is underway, while work is still ongoing on the second phase of the road.

## **RAILWAY**

The Egyptian Railway Company is carrying out an investment program, until 2023, which is aimed at modernising this transport means. In addition to the main initiatives, such as the renewal of rolling stock, rehabilitation of over 2,000 km of tracks and construction of high speed lines. Transport Ministry announced that there is a comprehensive plan to develop the railway system in Egypt within 2022.

In September 2018, the Egyptian Minister of Transport has signed a US\$ 1.2 Bn agreement with a Hungarian joint venture group, which is being led by TransMach Holding, a Russian manufacturer of locomotives and rail equipment for the development of rail infrastructure projects across the country. The deal might be considered the biggest deal in Egypt's history. The agreement is aimed at improving the level of service and is in line with the country's plan to improve Egypt's railway infrastructure by 2020.

Egypt has benefited over US\$ 7 Bn in infrastructure projects so far implemented by Chinese companies in the country. China has signed a deal to lend Egypt US\$ 1.2 Bn for the construction of a 68 km electric railway running from the outskirts of Cairo to the planned New Administrative Capital in the desert to the east of the capital.

## **AIRPORTS**

Egypt has opened the Sphinx International Airport on the outskirts of its capital city for an initial trial period in a bid to ease pressure from Cairo's main airport and help improve tourism. The airport, located near the Giza Pyramids and the new GEM, is expected to operate 30 flights in early February during its trial run. The US\$ 17 Mn project is part of the Tourism Ministry's plan to improve accessibility to historical sites from resort areas on the Red Sea, such as Sharm el Sheikh and Hurghada, and will fully open in 2020.

# MAJOR BUILDING AND INFRASTRUCTURE PROJECTS IN EGYPT

Major buildings and infrastructure projects in Egypt

Name	Client	Status	Project Value (US\$ Mn)
<b>New Administrative Capital City</b>	Capital City Partners Ltd., Dubai, Ministry of Housing and Construction, Egypt	Construction	45,000
<b>Badya Compound in 6th of October City</b>	Palm Hills Development (PHD), Egypt, Ministry of Housing, Utilities & Urban Development, Egypt	Design	17,870
<b>Urban Development in Sinai</b>	Ministry of Housing and Construction, Egypt	Planned	15,500
<b>Alexandria - Aswan High Speed Rail Line</b>	Ministry of Transport, Egypt	Planned	12,335
<b>Mega City in South Sinai</b>	Ministry of Housing, Utilities & Urban Development, Egypt, Ministry of Housing, Saudi Arabia	Planned	10,000
<b>Barwa New Cairo Project</b>	Barwa Real Estate Company, Egypt	Construction	9,000
<b>Al Habtoor City in Cairo</b>	Al Habtoor Group	Planned	8,500
<b>Cairo–Luxor Railway Line</b>	Ministry of Transport, Egypt	Construction	6,500
<b>Hyde Park</b>	Damac Properties, Egypt, Hyde Park Properties For Development	Construction	5,000
<b>Russian Industrial Zone in Suez Canal</b>	General Authority for the Suez Canal Economic Zone, Egypt, Ministry of Trade and Industry, Egypt	Construction	4,600

Source: Ventures ONSITE Project Intelligence Platform: [www.venturesonsite.com](http://www.venturesonsite.com)



# Conclusion

Egypt is reaping the rewards of its transformative economic reform program. Industry experts predict that macroeconomic stability and market confidence have been largely restored, growth has resumed, fiscal accounts are improving, and the public debt ratio is projected to fall for the first time in a decade. Egypt continues to have a stable economy, as its government secures greater levels of both foreign and domestic investments for transport mega projects in order to increase annual trade volumes and improve overall economic sustainability. The World's Bank recommendation for the transport infrastructure sector is a US\$ 10 Bn, 10-year investment plan to rehabilitate the railroad.

Moreover, it also reiterates the importance of the government to invite the private sector to develop container and cargo terminals, river transport, railway projects, dry ports, bus rapid transit and light rail. The Egyptian government has allocated around 55% of the country's development grants for upgrading the country's infrastructure in order to incentivise investments, according to a recent report by the investment ministry. Egypt's vast number of national projects over the past years has contributed to energising the country's construction market. Increasing number of visitors, higher levels of capital expenditure, and progressive reforms resulting in various decision-making and laws, provide a future optimistic outlook for the economy and the construction market.