

# SUSTAINABLE CITY CLUB

## of French companies in Egypt



TRÉSOR  
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CLUB DE LA VILLE  
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### Highlights from the Economic Department

The second edition of the BATIMAT Egypt exhibition took place from March the 1st to 4th of 2018, reuniting once again companies (EDF, St-Gobain, POMA, Orange, SMS, Setec, RATP Dev, GEIS, CSSI, GE Grid and Schneider Electric) from the Sustainable City Club in a dedicated corner within the French Pavilion. Among visitors, French Ambassador Mr Stéphane Romatet and a delegation from the French Auvergne-Rhône-Alpes Region met with Mr Ahmed Adel Razik, IDA's Chairman and with representatives from the Ministry of Housing. The event was sponsored by the Industrial Development Authority (IDA).

We take this opportunity to provide you with some key figures on the real estate market in Egypt from the annual report of JILL Consulting in Egypt (2017):

- Despite the construction sector's sustained growth, it suffered from the devaluation and from increases in building material prices (especially true for imported building materials), from energy subsidies' cuts and from the settling of new taxes (VAT). Prices increased from 5 to 20% for the residential market, from 10 to 30% for the retail market and from 10 to 20% for the hotel market. These hikes combined with a decrease in land availability (due to NUCA temporarily stopping tenders' procedures) encouraged developers to seek for new partnerships (JVs or other revenue-sharing mechanisms) ;
- Demand in the residential market was mostly sustained by the compounds and secondary residences segments, with forecasts announcing a shift from the North Coast and the Red Sea toward Greater Cairo (including New Cairo, the New Administrative Capital, 6<sup>th</sup> of October City). A more difficult economic environment and a strong inflation encouraged households to invest their savings in the real estate, which benefits from a strong safe-haven status in Egypt ;
- As for offices, offer remained stable around 958000m<sup>2</sup>, with the conclusion in 2018 of Festival City and Cairo Capital Center and of several projects in New Cairo and in the New Administrative Capital by 2020 expected to increase significantly this figure ;
- The retail segment has been the most impacted by the economic deterioration and by the decrease in purchasing power of the middle class. It shall nevertheless slightly grow back in 2018, sustained by the conclusion of Majid Al Futtaim's Almaza Center and the need for small retail centres for alimentation in current compounds' development projects ;
- Finally, the hotel market benefited the most from the devaluation that contributed to the recent returning of tourists to Egypt, and from the development of several new cities that shall be dedicated to tourism (noticeably New Al-Alamein). In total, 850 additional rooms were delivered and 1400 others are expected by 2020. However, this growth dynamic remains conditioned by the security conditions in the country.

### Companies' words: EDF

**Enova** is the regional leader in integrated energy and multi-technical services, delivering comprehensive services to its clients. It provides performance-based Energy & Facilities Management solutions that help customers achieve their financial, operational, and environmental targets. With more than 2,000 highly trained and multi-skilled employees, Enova serves a wide portfolio of clients in the public, residential, commercial, industrial and healthcare sectors across the region.

**Enova** was created in 2002 as a joint venture between Majid Al Futtaim and Veolia. Majid Al Futtaim is the leading shopping malls, communities, retail and leisure pioneer across the Middle East, Africa and Asia. Veolia is a global leader in optimized resource management, designing and providing water, waste, and energy management solutions that contribute to the sustainable development of communities and industries.



#### Short News ([link to sources attached](#))

**CONSTRUCTION** Parliament's Housing Committee is discussing legislation that would provide a framework for the government to [settle building code violations with building owners and developers](#). The law will have a limited mandate of three months and apply only to buildings that have already been constructed. Under the law, building owners will be required to submit a settlement request to a specialized committee during the three-month window. The reconciliation drive is expected to earn state coffers EGP 72 bn from around 1.8 mn buildings that are in violation of existing codes.

**TRANSPORTATION** The House of Representatives approved [amendments to the Railway Act that would allow private sector participation in developing, managing, and operating railway projects](#). Under the law, private companies will be required to compete in public tenders for projects, in accordance with the Auctions and Tenders Act. Companies can be contracted for a maximum of 15 years, as required by the Constitution. The legislation establishes a new regulating body, the Egyptian Railways Authority, with the jurisdiction to govern private involvement in the sector.

**WASTE MANAGEMENT** First elements of the [draft legislation on solid waste management](#) went public. The law will now be referred to the Council of State for review:

- The Environment Ministry signed on Thursday a MoU with the National Bank of Egypt, Banque Misr, National Investment Bank, and the Maadi Company for Engineering Industries to establish a [garbage collection holding company](#). The government is expected to hold a 51% stake in the company, with the remainder open to other stakeholders including investors, banks, garbage collectors unions, and civil society organizations. The holding companies shall not act as a regulator but would allow the government to increase its investments in the waste management sector ;
- The Ismail government is setting [new garbage collection fees](#) for homes that will range between EGP 2-40 per residential unit per month, up from EGP 1-10 monthly today. Offices, stores and factories will pay EGP 30-200 per month, up from EGP 10-30, he added. The fees will be determined based on the real estate's size and location [Note : previous attempts to settle a such tax failed because of people reluctance to pay additional cost for garbage collection while they are used to the informal collectors' (Zabalines) system].
- The proposed fee hikes will be provided for under a new sanitation law that will apparently give [incentives to investors entering the waste management space](#), including making land available at subsidized rates to set up recycling businesses. The law would also apparently leave room to enshrine "attractive prices" for refuse-derived fuel. However, the waste collection segment might not be open to foreign investors ;
- The Egyptian Electricity Utility and Consumer Protection Agency (Egyptera) is expected [to settle on the feed-in tariff for waste-to-energy projects](#) for refuse-, agriculture and industrial waste-derived fuel. Prices shall range from EGP 1,03 to 1,30 per kWh).

#### Agenda

- **March 28<sup>th</sup> to 31<sup>st</sup> of 2018:** [Cityscape Egypt](#), Cairo International Convention Centre, Cairo.
- **April 22<sup>nd</sup> of 2018:** presentation by GIZ of its research on opportunities for the private sector in the Egyptian waste management sector (exact time and location to be defined).