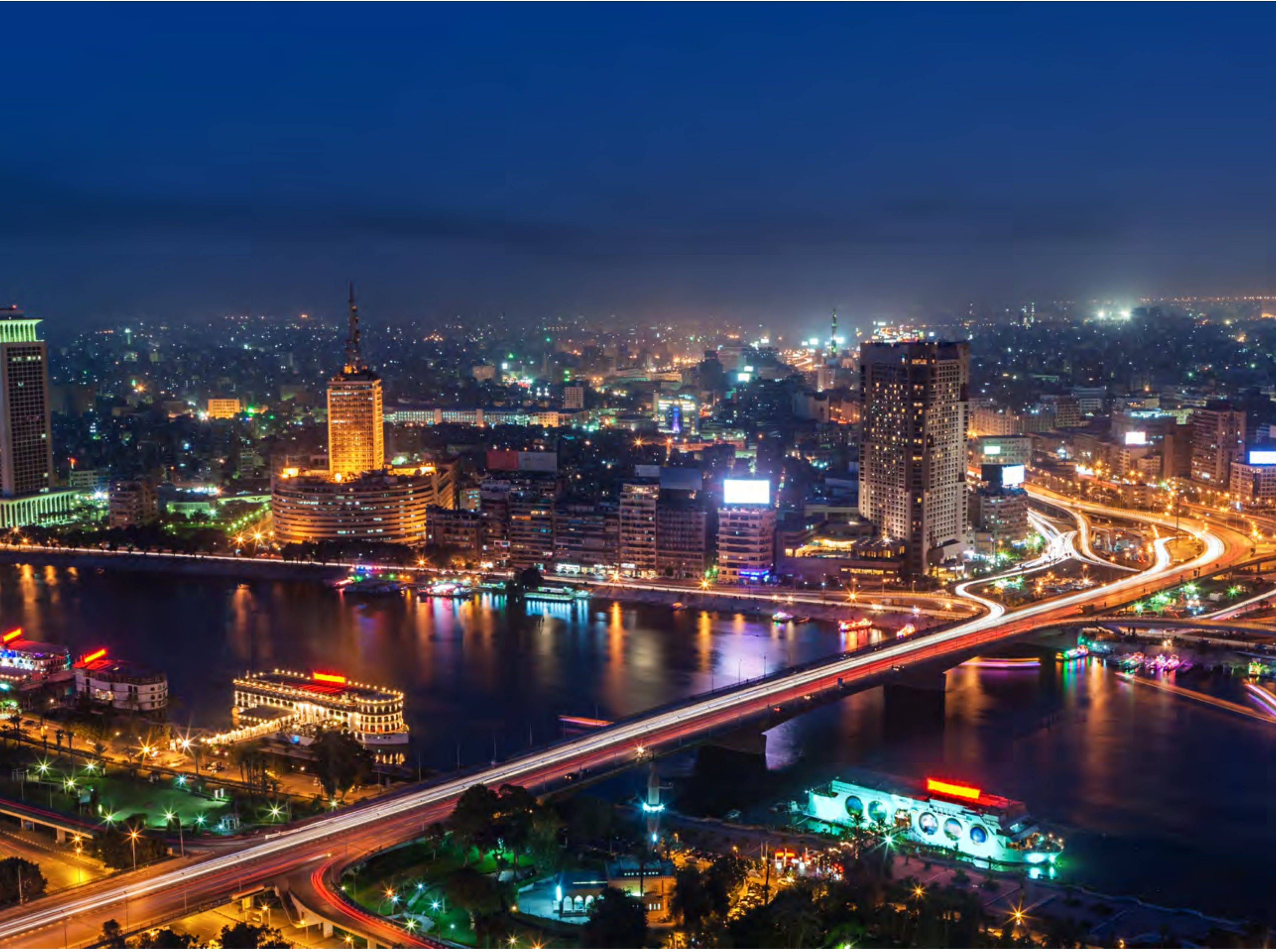

The Cairo Real Estate Market overview

Research | Q3 2023

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Office

1.9m
sq m GLA

Total stock

29k
sq m GLA

2023 planned deliveries

Y-o-Y
-3%

Citywide average rent

During the third quarter of 2023, no notable office projects were completed in Cairo, maintaining the total stock at around 1.94 million sq. m. of Gross Leasable Area (GLA). Due to delays in project completions, the final quarter of 2023 is expected to witness the delivery of just about 29,000 sq. m. of office floorspace.

Cairo's office market is set to witness the completion of several grade-A office projects within the next two to three years, which will help address the current gap between supply and demand for high-quality office space. Moving forward, landlords who adhere to sustainability standards are expected to have a competitive advantage in attracting international demand at premium rental rates, as multinational corporations are increasingly prioritising sustainability criteria when selecting office locations.

In line with this trend, earlier this year, Magnom properties and Forbes announced their partnership to build "Forbes International Tower", the first zero-carbon commercial tower in the Central business District (CBD) of Cairo's New Administrative Capital.

The building aims to achieve a Platinum LEED certification, setting new industry standards and introducing a new era of sustainable office space to the Egyptian market.

In terms of demand, overall office activity remained subdued in Q3 2023, with no significant transactions despite an increase in enquiries. While many landlords had initially raised their rental rates during the first half of the year in anticipation of further currency depreciation, rates stabilised in Q3, and some landlords even slightly reduced their asking rates as no additional devaluation occurred.

As a result, the average city-wide lease rates decreased by around 3% on an annual basis in Q3 2023, settling at USD 361 per sq. m. per annum. Over the same period, the average city-wide vacancy rate rose to 12%, an increase from the 10% recorded during the same period last year.

Residential

262k
units

Total stock

9k
units

2023 planned deliveries

40%
Y-o-Y

Average sale prices in 6th of October

45%
Y-o-Y

Average sale prices in New Cairo

22%
Y-o-Y

Average rents in 6th of October

18%
Y-o-Y

Average rents in New Cairo

In Q3 2023, around 7,000 units were handed over, increasing the total residential stock to approximately 262,000 units in major gated communities. Nearly 9,000 units are anticipated to be delivered during the final quarter of the year.

Looking ahead, the forthcoming projects in the pipeline primarily focus on offering fully integrated mixed-use developments, chracterised by higher ratios of green spaces to buildings. These developments aim to serve as comprehensive destinations for homeowners, offering a sense of community and privacy simultaneously.

During the third quarter, residential developers continued to attract buyers by offering extended and flexible payment terms, bolstered by the multiple incentives provided at the Cityscape event held in September, resulting in increased sales for some developers.

Driven by the heightened demand and inflationary pressures in the country, average sales prices in Q3 increased by around 40% and 45% in 6th October and New Cairo, respectively, on annual basis. Over the same period, rental levels continued to accelerate at a fast pace, with annual increases of 22% in 6th October and 18% in New Cairo.

Despite the significant price increases, the residential market has been gaining momentum. This growth can be mainly attributed to the continuing growing local demand to hedge against the currency devaluation and soaring inflation.

Moreover, the Egyptian government approved a new law in July, granting permission for foreign individuals to become owners of residential properties within the country. This strategic move is aimed at fostering increased inflows of foreign currency and facilitating investments. As an additional incentive, the law offers conditional citizenship and an array of benefits to prospective buyers. This is expected to attract a higher number of foreign investors, particularly from Gulf nations, who are keen on exploring new investment avenues or acquiring residential properties in Egypt for use as secondary residences or holiday retreats.

Retail

2.9m sq m GLA
Total stock

88k sq m GLA
2023 planned deliveries

Y-o-Y **11%-9%**
Average rental rates across primary and secondary malls

No new retail space was delivered in Cairo during the third quarter of 2023, maintaining the total retail stock at around 2.9 million sq. m. The retail sector is grappling with a slow materialisation rate and delays in project completions due to sluggish construction progress, leading to just about 88,000 sq. m. of GLA expected to be completed during final quarter of the year.

The retail sector faced ongoing challenges during the third quarter, with inflation in September registering the fourth consecutive month of a record high, at 38%. This imposed further tightening on consumer spending, which significantly impacted retail sales, particularly in the international fashion brands, resulting in multiple exits. However, there was an emergence of popular local fashion brands establishing omnichannel presence by opening physical stores alongside their online presence due to increased sales from their affordable and unique product offerings.

Additionally, new family entertainment and F&B concepts demonstrated strong performance, outperforming the market. Consequently, the vacancy rate slightly decreased from 11% in Q3 2022 to 10% in Q3 2023.

In the third quarter, we have seen that CapEx contributions becoming more limited and mainly offered on a case-by-case basis. Meanwhile, in contrast to international owners, local landlords of regional and super regional malls have slightly increased their asking rents and have become less flexible during rental negotiations. This, coupled with the soaring inflation and the weakened local currency in the country, have therefore resulted in average rental rates increasing on annual basis by around 11% and 9% in primary and secondary malls, respectively.

Hospitality

28k keys
Total stock

600 keys
2023 planned deliveries

	YT Aug 2023		YT Aug 2022
Occupancy Rate	68%	vs	61%
ADR's	USD139	vs	USD144
RevPar's	USD95	vs	USD88

Source: STR Global

Cairo's hospitality market experienced no new hotel openings for the third consecutive quarter, maintaining the total hotel stock fixed at around 28,000 keys. However, almost 600 additional keys are expected to become operational during the last quarter of the year.

Notably, this year has witnessed major developers and operators translating their interest in Cairo and Egypt into new project launches. One such example is the partnership between SODIC and Nobu to introduce the first Nobu Hotel and Residences in West Cairo. In another significant announcement, Hilton group has joined forces with City Edge Development to establish two new hotels in Cairo - DoubleTree by Hilton Maspero Triangle Towers and the Hilton Magra El-Oyoun, with expected operations to commence in 2026 and 2028 respectively.

The Ministry of Tourism recently reported that Egypt welcomed around 7 million visitors during the first 5 months of 2023, with expectations for tourism inflows to further increase to 15 million visitors by the end of the year. This notable increase in tourism levels surpasses the figures seen in 2022 (11.7 million visitors) and even exceeds the pre-pandemic levels of 2019, which witnessed 13.1 million tourists visiting the country.

As a result, Cairo's occupancy levels remained healthy in Q3, rising to 68% in the YT August 2023 compared to 61% during the same period last year. Although the average daily rate (ADR) in Cairo slightly decreased by 3% (y-o-y) to reach USD 144 for YT August 2023, Revenue Per Available Room (RevPAR) saw a significant increase of nearly 8%, reaching approximately USD 95.

Definitions and methodology

Future Supply

JLL estimates of future supply is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers). The future supply is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started. We remain cautious of the ability of some projects to meet their stated completion deadlines, with significant delays in project delivery leading to a low materialization rate.

Office

Supply

The current supply of completed office GLA is based on a comprehensive list of office buildings within certain areas in Cairo that have been handed over for immediate occupation. This includes standalone office buildings and office space within mixed-use buildings. Our project list excludes owner-occupied and government office buildings.

The certain areas within Cairo we cover include Downtown Cairo, New Cairo, West Cairo and New Administrative Capital (CBD area).

The future supply of office GLA is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers).

The future supply of office GLA is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started.

Performance

The weighted average rent (WAR) is based on estimates from the JLL Offices and Business Space team. It reflects the WAR across a basket of Grade A buildings. The new figures are reflective of the updated basket as of Q1 2023.
Grade A buildings are defined as high quality office spaces, well located, with good access to infrastructure (metro) and amenities including F& B and retail.
The WAR of Grade A buildings represents the top open-market, net rent (exclusive of service charge and incentives) for a new lease that could be expected for a notional office unit.
Vacancy rate is based on estimates from the JLL Offices and Business Space team. It reflects the average rate across a basket of buildings. This basket represents approximately 41% of the current supply of office space in Cairo.

Residential

Supply

The current supply of completed residential projects is based on residential units in East Cairo (and its extension), West Cairo, Mostakbal City and New Administrative Capital (NAC) that have been handed over for immediate occupation.

Our definition of residential units includes apartments, villas, and townhouses.

The future supply of residential units is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers).

The future supply of residential units is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started.

Performance

Data on residential performance in Cairo is based on the asking prices and rents of a basket of selected residential units within selected areas.

Retail

Supply

The classification of retail centers is based on the **Urban Land Institute (ULI)** definition and based on their **Gross Leasable Area (GLA)**:

Super Regional Malls have a GLA of above 90,000 sq m
Regional Malls have a GLA of 30,000 - 90,000 sq m
Community Malls have a GLA of 10,000 - 30,000 sq m
Neighborhood Malls have a GLA of 3,000 - 10,000 sq m
Convenience Malls have a GLA of less than 3,000 sq m

The current supply of completed retail GLA is based on a comprehensive list of mall-based retail in Cairo that have been handed over for immediate occupation. Our project list excludes street retail and retail within mixed-use buildings. The new figures are reflective of the updated basket as of Q1 2023.

The future supply of retail GLA is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers).

The future supply of retail GLA is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started.

Performance

Weighted average rents (WAR) are based on asking rents obtained by the JLL Retail team. It reflects the rents across a basket of super regional and regional centers.
WAR represents the top open market net rent expected for a standard in line unit shop of 100 sq. m. in a basket of centers. Given the variation in rentals, we quote percentage change for retail rents rather than actual figures.
Vacancy rate is based on estimates from the JLL Retail team. It reflects the average rate across regional centres in Greater Cairo.

Hotels

Supply

The current supply reflects hotel rooms and serviced apartments that have been handed over for immediate occupation.

The future supply of hotel rooms is updated on a quarterly basis and is based on primary research (physical inspections) and secondary research (discussions with developers).

The future supply of hotel rooms is reflective of projects actively under construction. It excludes projects that have been announced, where ground works have not started.

Performance

STR performance data is based on a monthly survey conducted by STR Global on a sample of international standard midscale and upscale hotels. Average Daily Rates (ADR) and Revenue Per Available Room (Rev Par) are the key performance metrics.

SEE A BRIGHTER WAY

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