



Egyptian Second Home Market



A growing investment  
and lifestyle trend



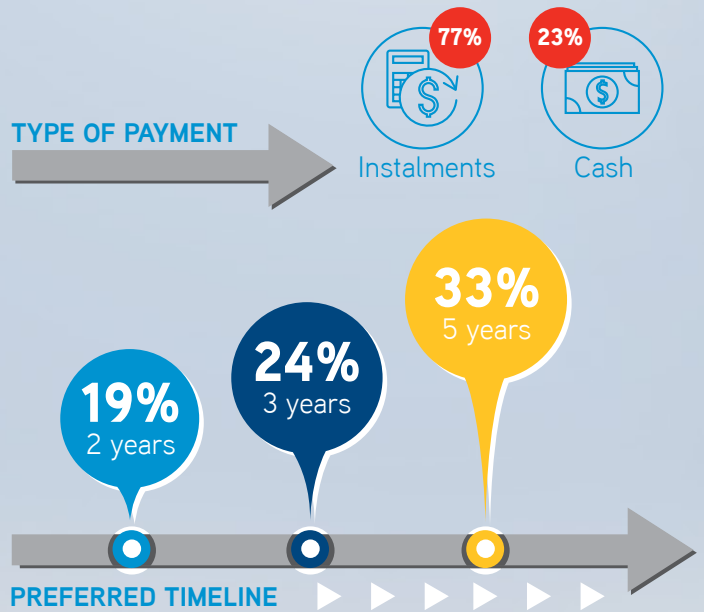
The Second /Holiday Home market in Egypt is dominated by residents living in Cairo and non-resident Egyptians. Whilst the market is currently undersupplied there are opportunities to introduce new real estate products within the second home market that can improve absorption/ occupancy levels and price premiums.

Those visiting Ain Sokhna mainly stay in their own unit, while those visiting North Coast are more likely to rent, rather than staying in a hotel.

Visitors to Sharm El Sheikh, Hurgada, Gouna, Sahl Hasheesh and Makadi Bay tend to stay in a hotel.

## Second Home buyers

prefer purchasing homes through installment schemes offered by developers.



# Introduction

One of the key drivers for Egyptian property investment is as a hedge against inflation. The recent devaluation and currency fluctuations witnessed residential prices increasing approximately 20% (in EGP terms) year-on-year, supported by an undersupplied residential market.

Along with the demand for primary accommodation a second tier within the residential market has emerged over the last decade. Holiday or vacation homes have become a popular investment and lifestyle choice and will continue to grow underpinned by the volume of products and choices available to consumers, both in terms of location and price points.

The availability of land along the coast has attracted real estate developers and vacationers to locations such North Coast, Ain Sokhna, Red Sea and South Sinai. The most preferred locations for vacationers however are North Coast and Ain Sokhna due to its proximity to Cairo. The temperate climate make these areas ideal holiday destinations with many wealthy Egyptians from Cairo purchasing second and even third homes.

Colliers International advises investor and developer clients on holiday destinations such as Seychelles, Morocco, Malta, Tanzania, Zanzibar and Egypt. The significant difference in these markets and Egypt is Egypt's second home market is not dependent on international investors. Demand for second homes in Egypt is primarily localized and focused on Egyptian households along holiday destinations.

A recent survey conducted by Colliers International highlighted three key points. Firstly, most purchasers are between the ages 35 and 40. Secondly, the down payment on a second home is approximately EGP 150,000. Thirdly, the payment plans generally span across five years, making monthly instalments more affordable.

While initially second homes were simply purchased as a holiday home, significant value appreciation has attracted investors into the second home market.

This white paper focuses on the growing second homes market in Egypt, highlighting the main supply and demand dynamics, desirable locations, factors that influence purchase decisions, future trends and development opportunities.

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## The key highlights are presented below:

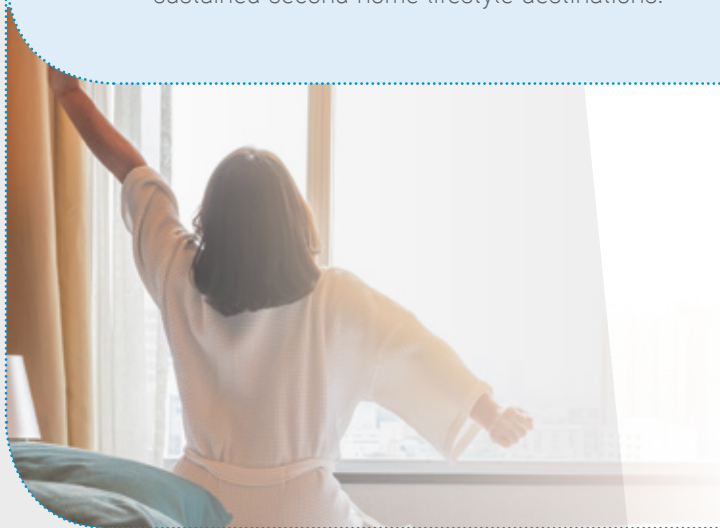
- > Most second home purchasers are Egyptians living in Cairo aged between 35 – 50 having their permanent home in Greater Cairo. They tend to purchase second homes as vacation retreats, as investment for their children, and/or as a hedging instrument against the currency depreciation. However, the key purchase decision for second homes remain the leisure and entertainment facilities offered in holiday destinations.

- > Second home developments are in key coastal destinations such as Ain Sokhna, North Coast, El Gouna, Sahl Hasheesh and Sharm El Sheikh. Despite the growing popularity of these resort destinations, some have limited lifestyle services such as; retail, F&B, organized night life and wellness & spa facilities. This presents opportunities for holiday home developers to build self-sustained second home lifestyle destinations.

### KEY DESTINATIONS coast line



- > Sustaining occupancy levels all year round in second home destinations can be challenging. Colliers have witnessed these challenges been addressed through developing diversified support facilities such as; healthcare driven wellness resorts, long-term care and rehabilitation facilities. These facilities will have a positive impact on occupancy levels by attracting not only vacationers, but also retired households and those seeking longer holidays within proximity to healthcare facilities.



To make your next second homes development more successful and achieve higher and sustainable returns by adding health, wellness and education facilities within your developments please contact Colliers International MENA Team.

Given that holiday homes are end-user products, the spouse's opinion matters



**81%**  
OF HOLIDAY HOME  
PURCHASES WERE INFLUENCED  
BY THE SPOUSES

## THE TOP DRIVERS

for choosing a compound were



## THE TOP DRIVERS

for choosing a specific unit were





**TOP 3**  
Activities in  
SECOND HOME  
destinations

**Ain Sokhna**

- Beach  
Score: 9.4
- Cafes/  
Restaurants  
Score: 7.5
- Nightlife  
Score: 6.9

**North Coast**

- Beach  
Score: 9.0
- Cafes/  
Restaurants  
Score: 8.0
- Nightlife  
Score: 7.1

**Hurghada**

- Beach  
Score: 7.8
- Cafes/  
Restaurants  
Score: 7.3
- Going on  
Safari  
Score: 7.7

**Sharm El Sheikh**

- Beach  
Score: 8.2
- Cafes/  
Restaurants  
Score: 7.8
- Going on  
Safari  
Score: 7.8

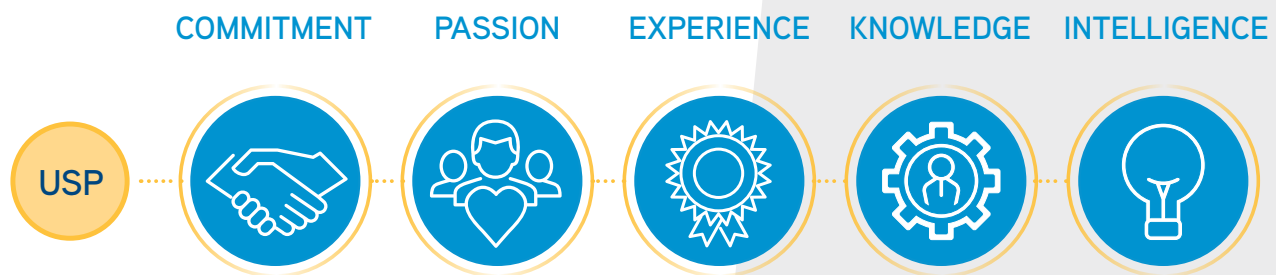


# The Holiday Home Hotspots



*Colliers International Development Solutions* is a global network of specialist consultants who have worked with regional and international developers and investors across the Middle East and Africa.

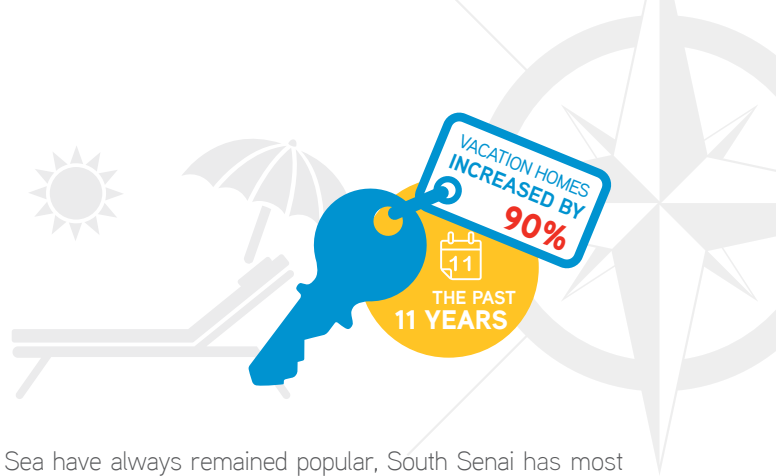
Our hands-on experience, combined with the intelligence and resources of a global practice, brings unrivalled expertise to owners, developers and government institutions.



Market Research | Market Entry & Expansion | Equity & Debt Fund Raising  
 Highest & Best Use Study | Market & Financial Feasibility Study



# The Holiday Home Hotspots



**THEY ARE ALL ALONG THE COASTLINE, WITH THE MORE POPULAR LOCATIONS HAVING EASY ACCESS AND PROXIMITY TO CAIRO**

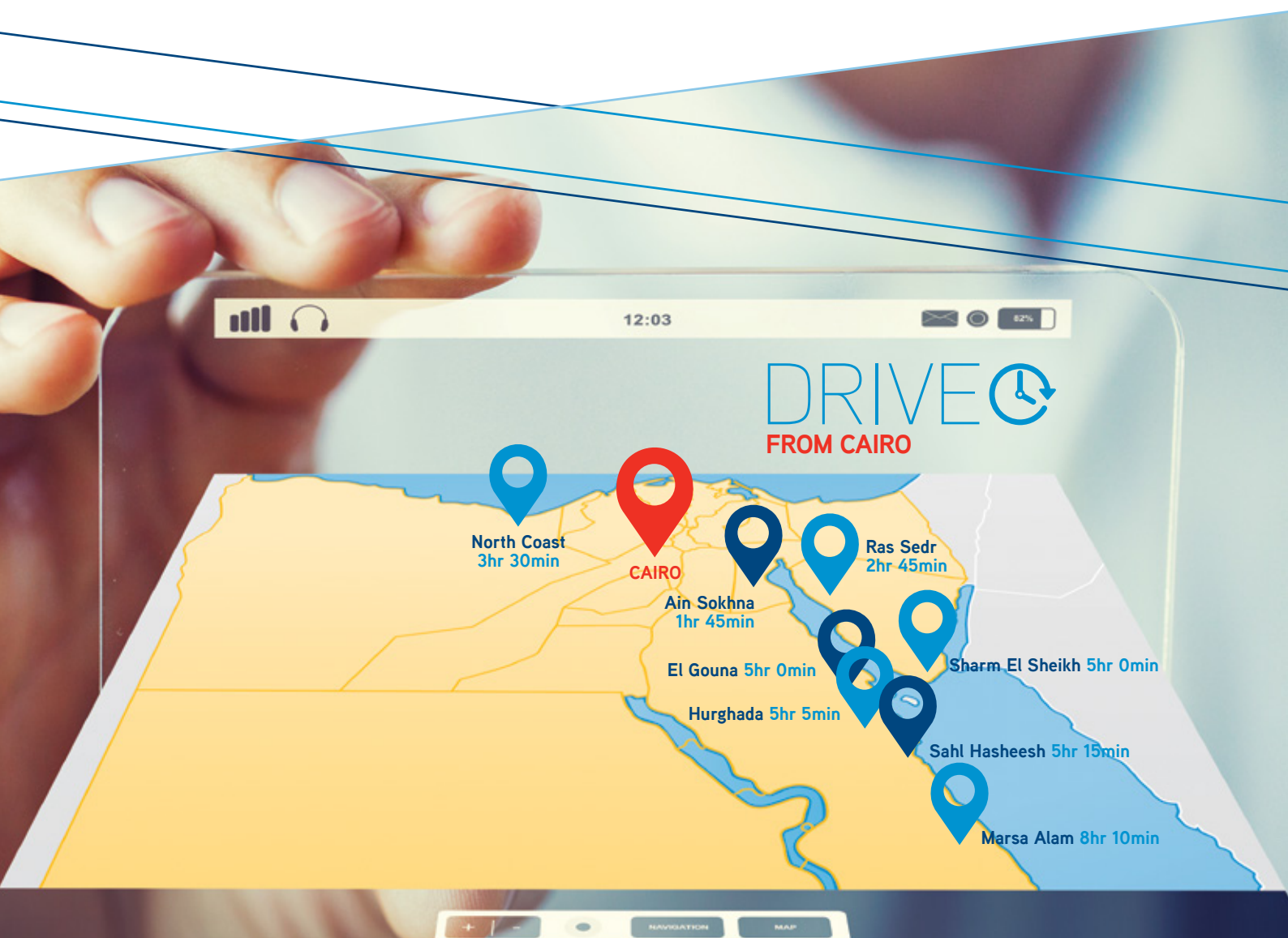
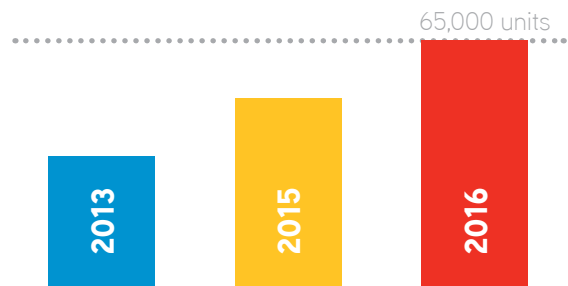
Egypt's coastline has historically been successful in attracting holidaymakers and has remained popular today especially among domestic tourists who have bought vacation homes along the coast, as opposed to just renting units when on holiday.

Over the past 11 years the number of vacation homes have increased by approximately 90%, reaching approximately 65,000 units by the end of 2016. The most popular hotspots for vacation homes are Red Sea, South Sinai, Northwest Coast and Ain Sokhna. While Ain Sokhna, North Coast and Red

Sea have always remained popular, South Sinai has most vacation homes under construction.

## SUPPLY INCREASE

2013 - 2016





# Ain Sokhna



## THE CLOSEST TO HOME (CAIRO)

Ain Sokhna is a popular second (vacation) homes destination, especially among upper-middle and high income households. It's strategic location along the Red Sea, moderate weather during cold seasons and the construction of the Katamaya highway has resulted in an increased appetite for holiday homes in this district.

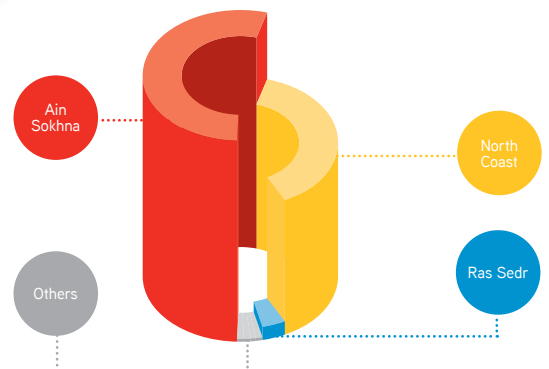
With the continuous expansion of Greater Cairo, Ain Sokhna has become closer to the city and has increased in popularity.



Vacation home supply in Ain Sokhna is characterised by chalets, villas and town houses. With over 30,000 vacation homes currently existing in this district, there have also been recent investments that include Il Mont Galala by Tatweer Misr, Azha by Maadar, and Murano by Wadi Degla.



## REAL PURCHASE Summer House Location



1. Ain Sokhna has been the preferred second home destination for recent transactions.
2. Residential prices are the most affordable compared to other second home destinations along Egypt's coast.

# North Coast



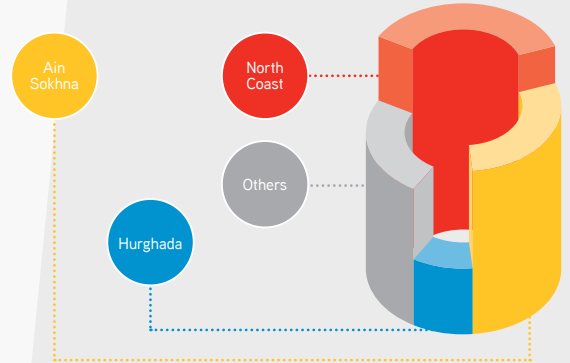
North Coast is the most popular destination with those planning to purchase second homes.

## THE LOCATION ON THE MEDITERRANEAN SEA MAKES THE NORTH COAST WEATHER MILD ALL YEAR AROUND AND A PLACE FOR WATER SPORTS AND LEISURE ACTIVITIES

The Northwestern coastal region is one of the key touristic areas in Egypt. It extends on approximately 500 kilometers along the Mediterranean coastline from Alexandria to Al Sallum cities.

North Coast remains one of the most popular holiday destinations, where vacationers generally stay for longer periods (up to three months during summer). Its proximity to Alexandria also compliments its popularity.

## PREFERRED CHOICE Summer House Location



According to the Toursim Development Authority, the total land area allocated for tourism related projects is approximately 9 million sqm. The majority of the development are located on the eastern side of the North Coast within Al Alamain area. However, Colliers highlights that there are plans to develop the western area of Al Alamain area.

The development of the upcoming areas in North Coast are expected to include; conference halls, shopping centers, theatres, diving centers, health clubs, restaurants, recreational facilities and beach cafes. These community facilities and amenities are likely to further enhance demand for the district.





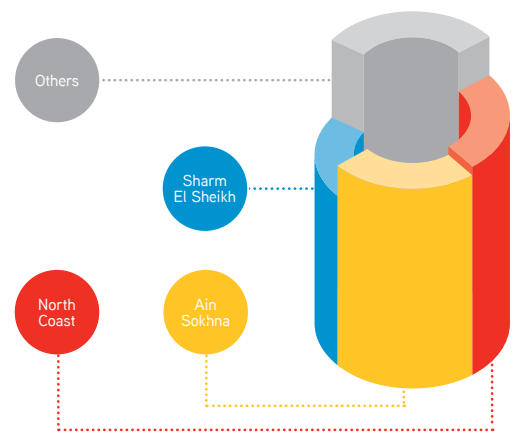
# Red Sea

**THE RED SEA REGION INCLUDES HURGHADA CITY, MAKADI BAY, EL GOUNA AND SAHL HASHEESH. THE REGION IS CONSIDERED A LEISURE DESTINATIONS, POPULAR AMONG WEEKEND GETAWAYS.**

The coastal area of Red Sea is well serviced with recreational centers, sports courts, theatres, diving centers, water parks, conference centres, shopping centres that include restaurants and retail shops, alfresco dining and nightlife.

Two of the most popular developments are El Gouna and Sahl Hasheesh, with the latter being the larger of the two. Hurghada City Centre and currently hosts more resorts than residential communities.

## VISITED IN THE PAST 3 YEARS



Red Sea region was the least visited location compared to Ain Sokhna, North Coast and Sharm El Sheikh.

With approximately 850 tourism related projects, the highest share is accounted within Red Sea.



# Sharm El Sheikh

## SUCCESSFUL MARKETING AND TIE-UPS WITH TOUR OPERATORS IN THE GCC, AFRICA, EUROPE AND ASIA, ESPECIALLY RUSSIA, SHARM EL SHEIKH HAS BECOME THE FACE OF EGYPT'S LEISURE TOURISM

Sharm El Sheikh is located on Red Sea coast on the Southern tip of Sinai Peninsula. It includes smaller coastal towns; Nabq Bay, Naama Bay, Montazah, El Hadaba, and Hay El Nour.

Sharm El Sheikh is known for water sports/ activities, primarily concentrated in Naama Bay, Shark's Bay, and Nabq Bay. Cultural and entertainment attractions in the area are focused around the Monastery of St. Catherine, Nabq National Park, Ras Mohamed National Park, and Mount Sinai.

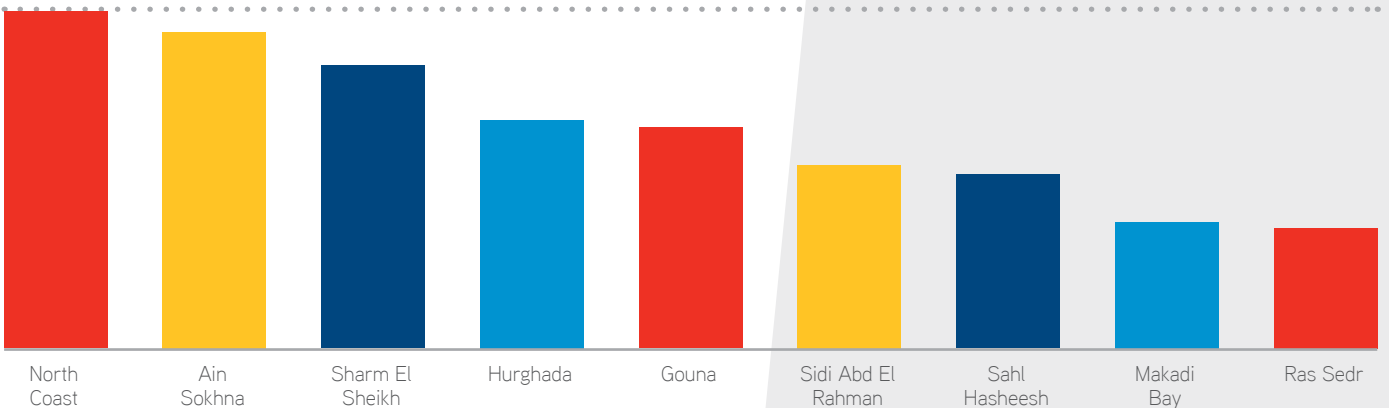
Currently South Sinai has approximately 18,000 vacation homes, with an additional 50% under construction. These developments also offer different entertainment facilities such as golf courses, aqua parks, sailing, and diving centres.



Sharm El Sheikh was among the three most popular destinations for summer vacation.



## PREFERRED DESTINATION TO SPEND SUMMER VACATION



# Market Performance



**CURRENTLY THE MOST EXPENSIVE LOCATIONS IN TERMS OF SALE PRICES ARE EL GOUNA, FOLLOWED BY NORTH COAST AND SAHL HASHEESH**

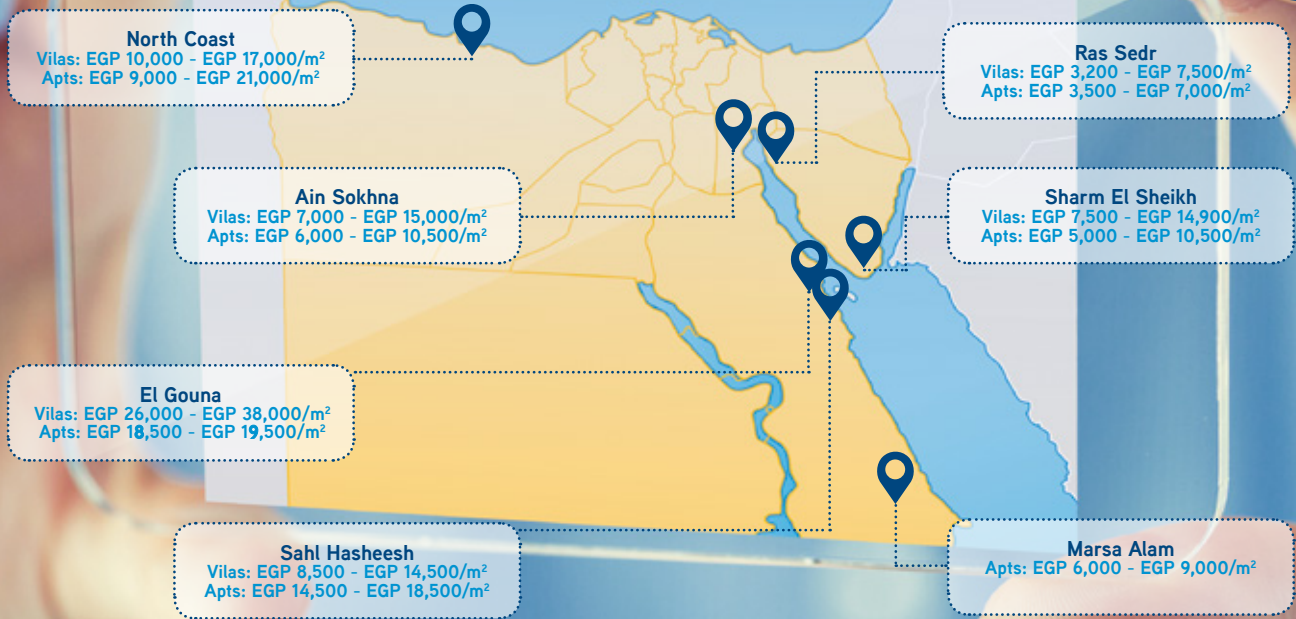
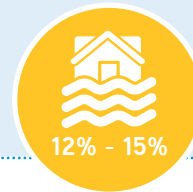
Real estate prices in general, have increased due to inflation and the devaluation of the Egyptian Pound (EGP). The pound's depreciation has been one of the drivers for real estate sales, with more people turning their cash into assets, further driving the demand, and subsequently property prices.



> El Gouna is achieving higher sale prices than other second home developments due to its community facilities.

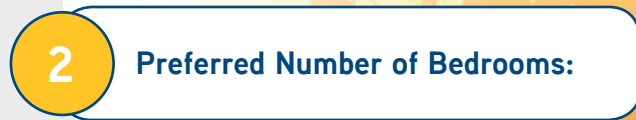
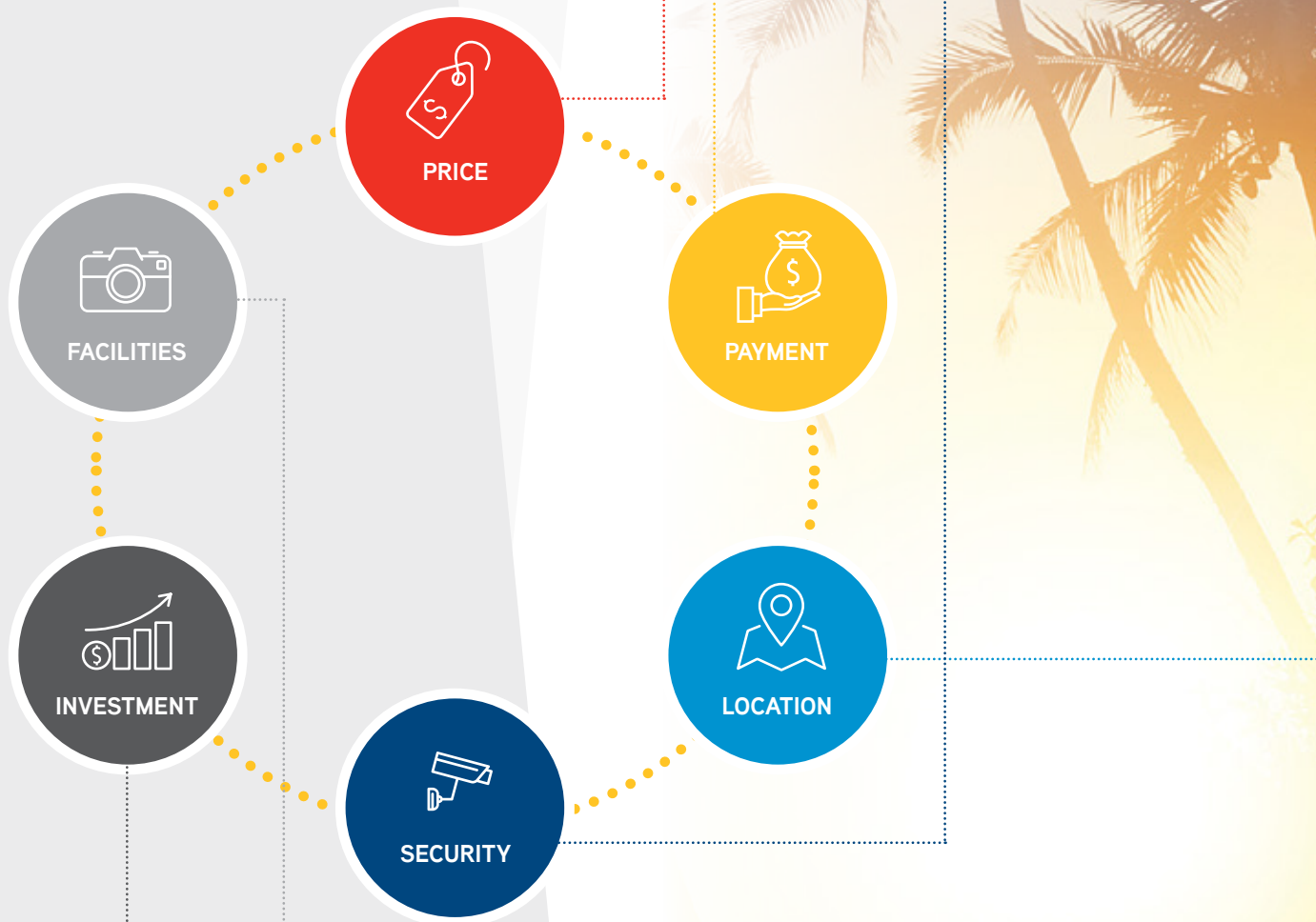


> Villas with sea view are likely to achieve a premium between 12% to 15%, while apartment premiums can reach up to 25%, depending on exclusivity and height.



# Demand Drivers

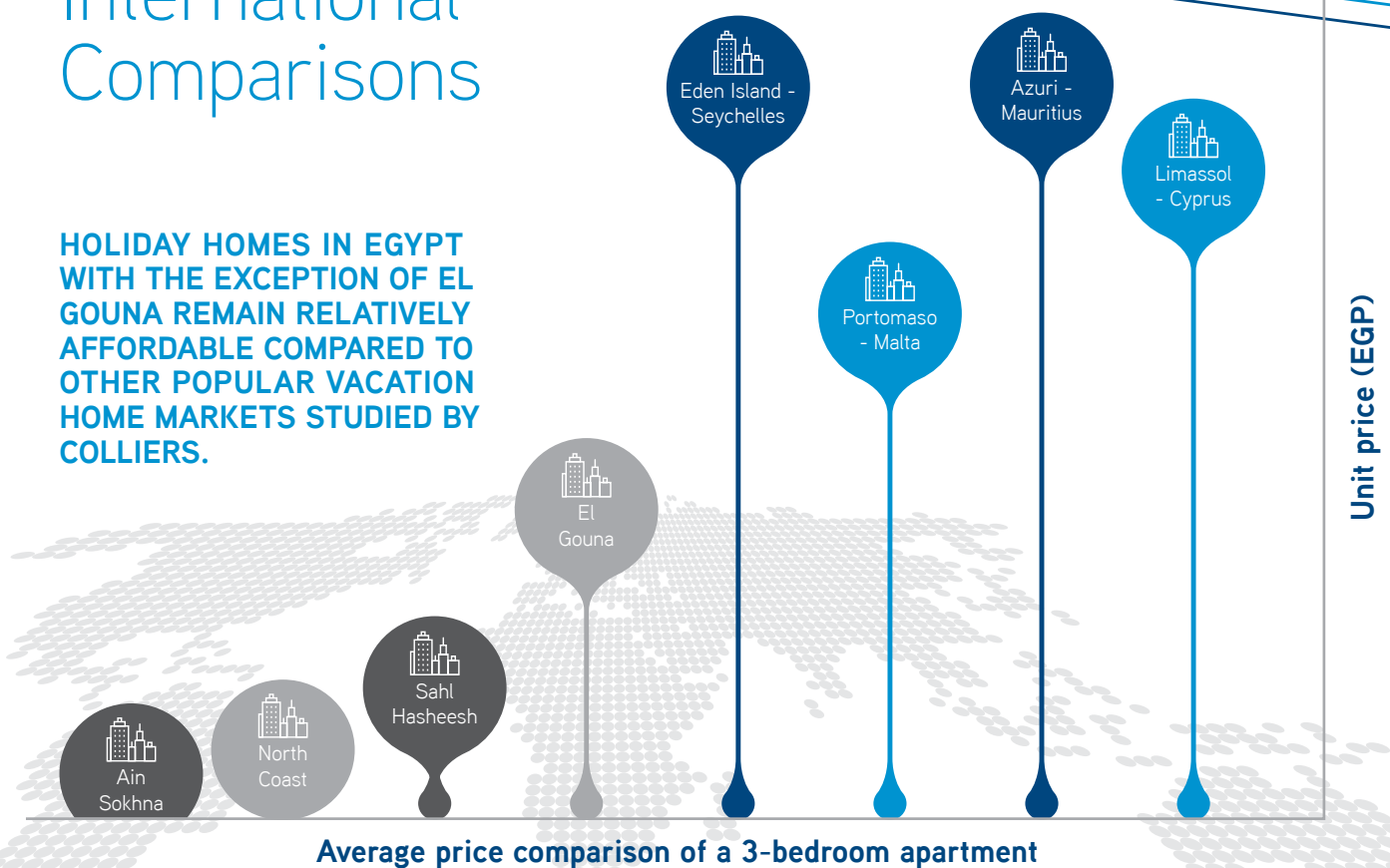
**THE MARKET IS CURRENTLY DRIVEN BY PRICE, LOCATION AND PAYMENT TERMS. CHALETS AND APARTMENTS ARE IN HIGH DEMAND, WITH MOST BUYERS LOOKING FOR 3 BEDROOM UNITS**





# International Comparisons

**HOLIDAY HOMES IN EGYPT WITH THE EXCEPTION OF EL GOUNA REMAIN RELATIVELY AFFORDABLE COMPARED TO OTHER POPULAR VACATION HOME MARKETS STUDIED BY COLLIERS.**



**Average price comparison of a 3-bedroom apartment**

## Barriers to Entry - Foreign Investments

1. Restricted freehold ownership . Foreigners cannot buy more than two homes, with the cumulative maximum area being 4,000sqm
2. The purchased property cannot be sold or rented for five years
3. If property ownership is obtained through court verdict, the process can take between 6 - 8 months

## Property Ownership in Egypt – Can Foreigners Buy a Property in Egypt?





# Opportunities within The Second Home Market



**MOST SECOND HOME DEVELOPMENTS LACK THE ESSENTIAL COMMUNITY / SOCIAL INFRASTRUCTURE SUCH AS RETAIL, F&B OUTLETS, NIGHTLIFE, WELLNESS & SPA, INDICATING A LIMITED SELF-SUSTAINED SECOND HOME DESTINATIONS**


While seasonality is part of the story, it can also be due to the lack of 'pull factors'. These 'pull factors' include boarding schools, children's recreational areas, hospitals, clinics, long-term rehabilitation centres, wellness retreats, fitness/skill retreats and retirement homes. The opportunity within holiday home market is for developers to create destinations, by providing essential community infrastructure.



Our research into international markets, identifies specific sectors that enhance holiday home destinations.


## A FEW EXAMPLES HOW EGYPT CAN CAPITALIZE ON THESE TRENDS ARE OUTLINED BRIEFLY BELOW:

### A HEALTH & WELLNESS



High prevalence of lifestyle diseases in Egypt along with growing awareness among affluent consumers lead to Egyptians looking for resorts that offer more than just spa packages. In order to create a destination, developers can also offer health driven wellness and healthcare facilities which are likely to increase absorption, occupancy levels within the development and enhance price premiums.

### D EDUCATION FACILITIES




Education facilities as community infrastructure has been a key demand driver for residential communities across local, regional and international markets. Although there are limited schools within vacation home communities in Egypt at present, Colliers sees this as an emerging trend. El Gouna School within the El Gouna Community provides a good example.

### B RETIREMENT COMMUNITIES




With approximately 10% of Egypt's population above the age of 65, and the affluent community representing 2% of the total need for retirement homes have been on the rise. There is growing trend across international markets for developing retirement communities that provide the look and feel of vacation homes. There is potential for Egyptian developers to look at capitalizing on such concepts within their developments.

### E BOARDING SCHOOL




It can sometimes be challenging for Egyptians and students in certain African countries to gain admission in overseas schools. Colliers research indicates that Egypt could meet this demand. The research by Colliers shows that by establishing a school will attract students the immediate residential development as well as from the surrounding residential communities.

### C REHABILITATION CENTRES



With the decline of the nursing home model of care and the growth in more assisted living options, long-term rehabilitation centres have become common phenomenon across international markets. Developers can integrate new real estate products targeting retirees as well as those looking for long-term care, having on-the-ground amenities.

### F FITNESS/SKILL RETREATS



Destination-based fitness camps are gaining popularity especially within the younger generation Y and Z. There are two components health retreats that promote lifestyle changes, and academies focused enhancing group skill techniques. The fitness industry is upgrading with fitness boot-camp programs in holiday locations by offering Slimming Getaways. With obesity levels increasing across the region, it is likely that Egypt's holiday home market has capacity to absorb this product within the developments.



## HEALTHCARE IMPACT ON THE DEMAND FOR SECOND HOMES:

> Lifestyle diseases are increasing as countries become more industrialised and people live longer. These diseases include Alzheimer's, atherosclerosis, asthma, some kinds of cancer, chronic liver disease or cirrhosis, Chronic Obstructive Pulmonary Disease, Type 2 diabetes, heart disease, metabolic syndrome, chronic renal failure, osteoporosis, are diseases that appear to increase in frequency as countries become more industrialised and people live longer.



> Historically, certain diseases such as diabetes and Asthma are associated with certain age groups. The lifestyle change in the 21st century have blurred the age barriers creating interchangeable disease patterns.



> Diabetes- related illnesses have increased in the GCC from 1.5 million cases in 2000 to 4.5 million by 2030. In Egypt, 7.5 million citizens suffer from diabetes at present, and this number is expected to reach 13 million by 2035.



  
Cosmetic & Wellness Centers

  
Retirement Communities

  
Rehabilitation Facilities

  
International Boarding Schools

  
Fitness & Skill Retreats

  
Long Term Care



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Mixed Use  
Developments



Retail



Hospitality



Healthcare  
& Life  
Sciences



Education  
& Human  
Capital



Infrastructure  
& Public Private  
Partnership



Airport Cities  
& City Centres



Ports &  
Waterfront  
Development



Industrial  
& Special  
Economic Zones



Leisure, Tourism  
& Culture  
Development



Entertainment



Sports Cities

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# 554 offices in 68 countries on 6 continents

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**\$2.5 billion**

in annual revenue

**2 billion**

square metres  
under management

**15,000**

Professionals  
and staff

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## About Colliers International

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