

With enhanced stability in pricing and strategy amidst anticipated devaluation, Cairo's residential sector witnesses a strong start in 2024: JLL

- *Over 7,000 units, mainly within master-planned developments, completed in Q1 2024*
- *Residential sales prices increased by 83% (Y-o-Y) in 6th of October and by 95% (Y-o-Y) in New Cairo while rental rates recorded a rise of 42% (Y-o-Y) and 43% (Y-o-Y), respectively*
- *Cairo's citywide occupancy was recorded at 65% for year to (YT) March 2024*
- *Average office rents remained stable at USD 357 per sq. m. per annum*

Cairo, May 7, 2024 – Amidst welcoming a significant influx of foreign direct investment and taking concerted steps towards stabilising its currency, Egypt is experiencing a new surge in investor confidence, marking a turning point in the sustained growth and development of the country's real estate market, according to **JLL's Cairo Real Estate Market Overview Report for Q1 2024**.

As Egypt continued to soften its financial burden while positioning itself once again as an appealing destination for future investments, the residential sector recorded a strong start during the first quarter of 2024 with the completion of over 7,000 units, predominantly within master-planned developments, taking the total residential stock to approximately 276,000 units. Over the remainder of 2024, nearly 24,000 units are set for completion.

Construction and handovers progressed in full swing in the sector. Multiple developers initiated new project launches, announcing expansion plans, primarily in New Cairo and its upcoming East expansion. Prominent upcoming projects include "At East" by Al Ahly Sabbour in Mostakbal City and "The Crest" by IL Cazar Developments in New Cairo.

Although the expected currency devaluation provided contractors and developers with a sense of stability and a clearer vision in terms of pricing and strategy, interest rate hikes and soaring inflation have caused some buyers to adopt a more cautious approach. Cairo's secondary market witnessed an unprecedented surge in sales prices, skyrocketing by nearly 83% annually in 6th of October and reaching a staggering 95% in New Cairo while rental rates in these areas saw a sharp annual increase of 42% and 43%, respectively.

Ayman Sami, Country Head, JLL Egypt, said: "As a key driver of the economy, real estate is a crucial pillar in Egypt's growth story. With favourable government policies aimed at stimulating the economy coupled with a more stable currency, the market is poised for significant expansion. Domestic and international investors, homeowners, and industry stakeholders stand much to gain in the year ahead with the continued rise of capital inflows and large-scale infrastructural investments. The long-term outlook for Cairo's real estate market remains positive, thanks to renewed confidence in Egypt's economy and a sustained demand for diverse types of asset classes."

Dynamic hospitality sector witnessed interesting Mergers & Acquisitions (M&As)

Cross-border collaborations, a substantial increase in FDI, and an EGP 50 billion initiative to enhance tourism are bolstering Cairo's tourism and hospitality sector as the country prepares to welcome 30 million visitors by 2028 and expand its hotel capacity by nearly 250,000 keys.

While no major hotels were added at the start of the year, maintaining Cairo's hotel stock at around 26,700 keys, the remainder of the year is expected to witness the opening of several new and renovated hotels, adding approximately 1,400 additional keys to the existing stock.

The first-quarter hotel performance indicates that Cairo's city-wide occupancy dropped to 65% for YT March 2024. Over the same period, average daily rate (ADR) reached USD 123, reflecting a 10% decline when compared to the same period last year. This resulted in the revenue per available room (RevPAR) decreasing by 19% Y-o-Y to reach USD 80.

A record 15 million tourists visited Egypt in 2023, and this momentum is expected to continue this year. As a further boost to the sector, the new Ras El Hekma deal with the UAE will see the launch of multiple hospitality and entertainment projects in the coastal city.

Local retail brands boost occupancy levels

In Cairo's retail sector, although certain landlords are implementing new and innovative strategies to maintain their occupancy rates, such as the announcement of the 3,000 sq. m GrEEK Campus West, a hybrid office and retail complex at Mall of Arabia, challenges remain. Delayed or shelved projects, alongside limited purchasing power and consumer spending have placed significant pressure on retailers, and many international brands have exited the market.

The free-floating of the local currency has paved the way for the entry of local and affordable Egyptian brands into brick-and-mortar stores, boosting occupancy levels in many malls. The outlook is favourable for local production and brands, with marketing campaigns encouraging this shift.

Around 402,000 sq.m. of Gross Leasable Area (GLA) is expected to be delivered over the next nine months of the year. Meanwhile, in Q1 2024, average rental rates across both primary and secondary malls in Cairo increased by around 8% and 14% year-on-year (Y-o-Y), while the average vacancy rate dropped slightly from 9% in Q1 2023 to 8% in Q1 2024.

Office sector set for long-term improvement

Around 9,500 sq. m. of office space was delivered in Q1 2024 with the completion of Trivium Zayed in West Cairo, bringing the total office stock to over 2 million sq. m. More than half a million sq. m. of office space is scheduled for completion over the course of the year and will cater to the demand for grade-A office supply.

Although the sales market took a hit in Q1 2024, annual citywide average rents remained stable at USD 357 per sq. m. per annum, reducing slightly by 1% from the previous quarter. Likewise, prime rents remained unchanged on an annual basis but were reduced by around 6% on a quarterly basis following the devaluation to touch USD 480 per sq. m. per annum. With the stabilisation of the local currency, landlords can now make informed pricing decisions, and tenants are anticipated to gain clarity on leasing terms, enhancing their confidence.

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