

Q2 2014

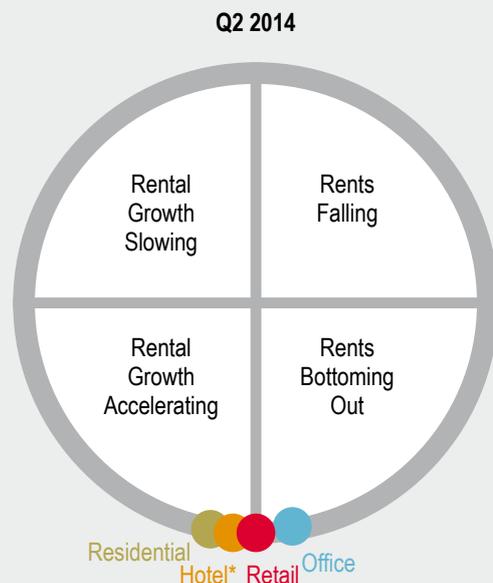
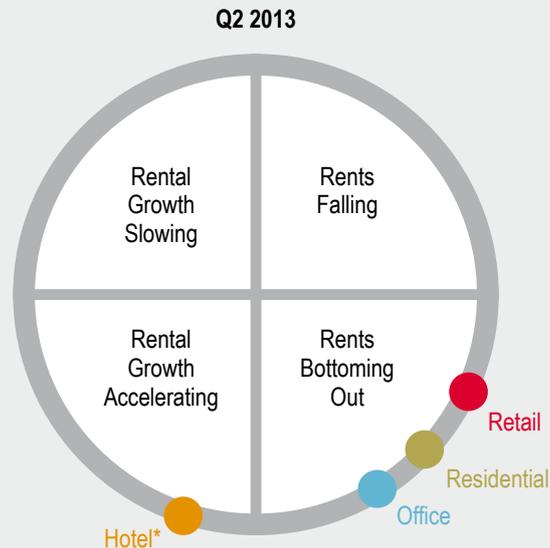
Cairo Real Estate Market Overview



Cairo *Market* Summary

The election of President El-Sisi with a huge majority and relatively little active opposition marks the next stage towards a return of political stability within Egypt. The next step in this process will be the parliamentary elections due to be held during quarter three 2014. The untroubled nature of recent events has resulted in confidence that the new government will be able to enact some of the tough decisions required to restore growth in the Egyptian economy. The clearest evidence of this is the decision to follow the IMF recommendation and gradually remove subsidies on energy between now and 2017. The improved political and economic stability has resulted in a return in confidence in the real estate market which has led to the resumption of a number of projects previously placed on hold. Palm Hills Development Company (PHDC) has received approval to commence development of two land plots totaling 57 acres in east Cairo as an integrated residential project (October Village Garden).

Cairo *Prime* Rental Clock



* Hotel clock reflects the movement of RevPAR

Note: The property clock illustrates where JLL estimates each prime market is within its individual rental cycle as at end of the relevant quarter

Source: JLL

Cairo *Office* Market Overview

Market Summary

There has been no major change in the Cairo office market over the past quarter. Rentals have remained relatively unchanged and demand remains active, with a number of known enquiries from international occupiers for additional office space in New Cairo and 6th October. This demand has been offset by new supply resulting in vacancies remaining at around 25%. Around 60,000 sq m of Grade A office space was completed in Q2, increasing the total stock across greater Cairo to around 885,000 sq m.

Hot Topic

Grade A office parks have increased the range of industries hosted within their parks and added new products. Smart Village has started offering serviced office space within the park, in addition to Regus taking up to 1,300 sq m within Raya building in Smart Village. There is also an increased range of buildings offering second hand space on a sub lease basis within these office parks, extending the range of options available to potential occupiers.

Office Supply

Current Supply (2011–2014)

711K sq m (GLA) **784K** sq m (GLA) **824K** sq m (GLA) **885K** sq m (GLA)



2011

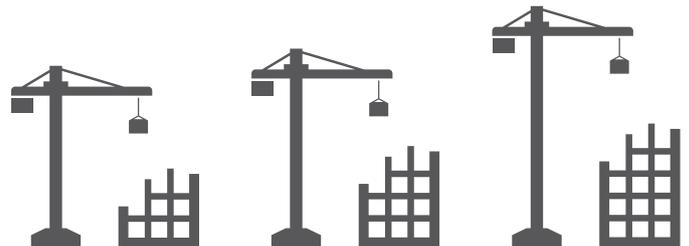
2012

2013

Q2 2014

Future Supply (2014–2016)

32K sq m (GLA) **35K** sq m (GLA) **50K** sq m (GLA)



H2 2014

2015

2016

Office Performance

Vacancy Rate

29% Q2 2013 **25%** Q2 2014

2014 / 2015
Outlook

Cairo Rents (USD per sq m / per annum)

	Q2 2013	Q2 2014
Central Cairo	480	420
New Cairo, Sector 1	300	300
New Cairo, Sector 2	216	216
West Cairo	216	216

2014 / 2015
Outlook

Cairo *Residential* Market Overview

Market Summary

While the residential market has been the strongest performing sector of the Cairo market over the past quarter, this improvement has not been universal. Sale prices have improved in New Cairo, especially for villas (18%). In contrast villa prices have declined over the quarter in 6th October. While villa rents have increased over the quarter, apartment rentals have declined in both New Cairo and 6th October.

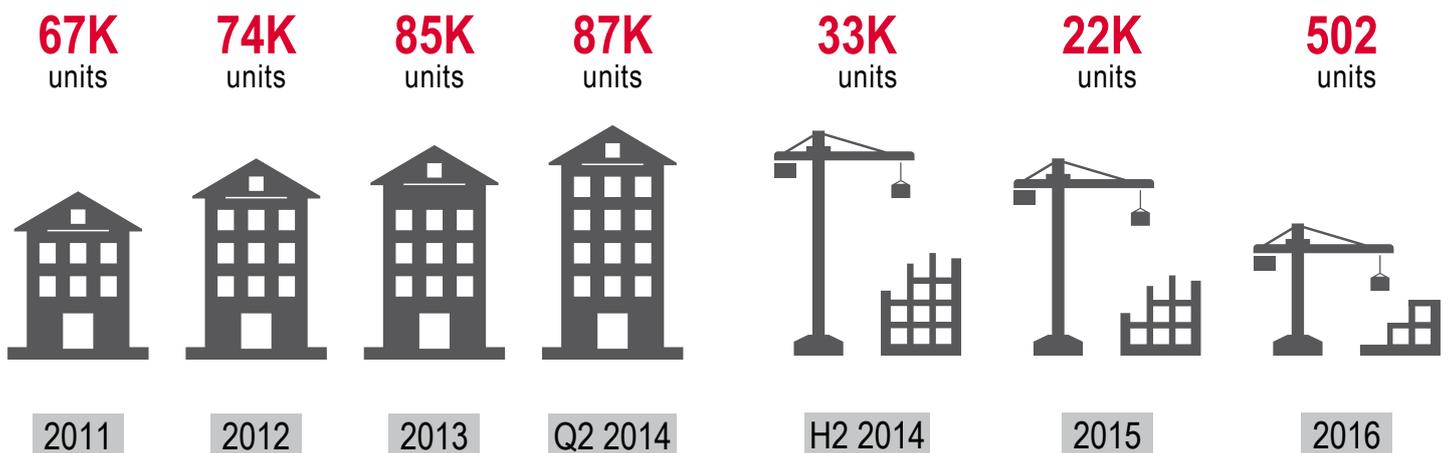
Hot Topic

Despite the improvement in sentiment a number of scheduled residential deliveries have been delayed further. These include Palm Parks where the delivery of 920 apartments due this quarter has now been delayed until Q4 of this year. Another project that has been delayed is Zayed Residence (previously known as Green Waves) where 155 apartments were scheduled to complete in Q2 2014. Changes in management and the acquisition of the developer by Al Rabwa have delayed the planned delivery date till Q4 2014.

Residential Supply

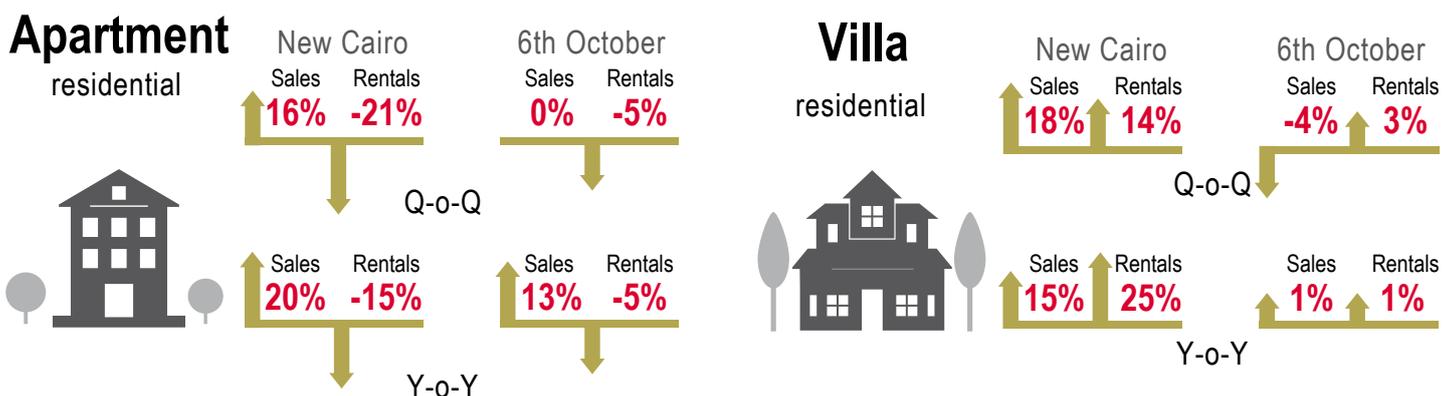
Current Supply (2011–2014)

Future Supply (2014–2016)



Residential Performance

Residential Property Rent and Sale Growth



Cairo *Retail* Market Overview

Market Summary

While average retail rents have remained largely unchanged over the quarter (ranging from USD720 to USD1,380 per sq m), owners of some prime malls have increased their asking prices, encouraged by the entrance of new brands to the market and retailers trading up into better quality locations that offer security, parking and easy access.

Hot Topic

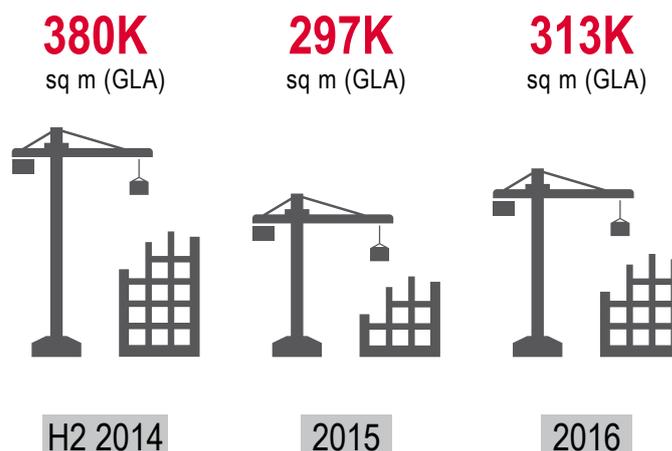
The retail market has remained active with the soft opening of the Porto Cairo Mall in New Cairo during Q2. Most of the units opened to date have been leased to F&B brands, reflecting the relative strength of this sector of the market. A further 380,000 sq m of retail space is due for completion over the remainder of 2014, with major new malls including Madinaty Mega Mall (104,000 sq m) and Mirage Mall (43,000 sq m) in New Cairo.

Retail Supply

Current Supply (2011–2014)



Future Supply (2014–2016)



Retail Performance

Vacancy Rate

25% Q2 2013	25% Q2 2014
-----------------------	-----------------------


2014 / 2015
Outlook

Average Retail Rents (per sq m)

Q2 2013	USD 920 - USD 1,410
Q2 2014	USD 720 - USD 1,380


2014 / 2015
Outlook

Cairo *Hotel* Market Overview

Market Summary

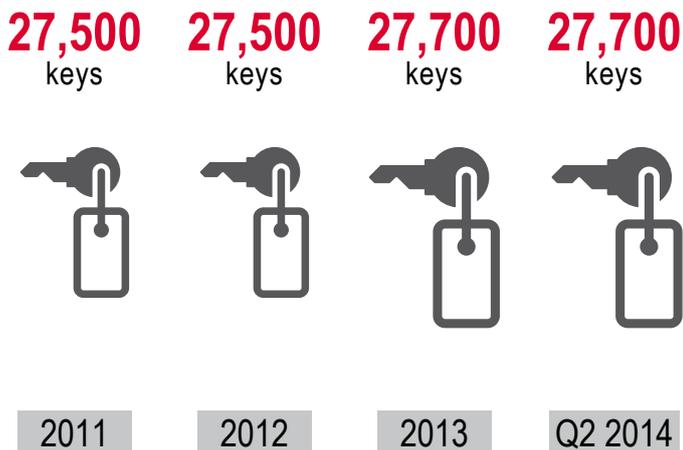
The hotel market is currently positioned close to the bottom of its cycle. The level of tourist arrivals in the first 4 months of 2014 (Jan to April) declined by around 26%, with the number of hotel nights declining more significantly (-39%) compared to the same period of 2013. With increased political stability, and the government increasing its efforts to market Egypt's tourist attractions overseas, it is expected that tourist arrivals will increase over the second half of 2014, resulting in improved performance of the Cairo hotel market.

Hot Topic

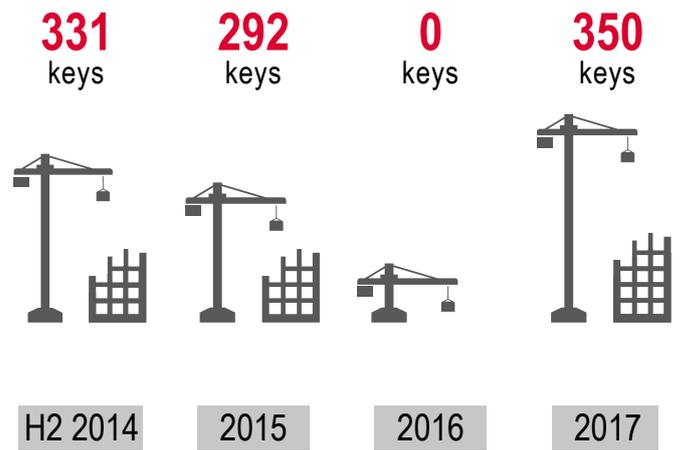
Occupancy rates in Cairo hotels have fallen to 37% (YT April 2014), well below the 58% recorded in the same period of 2013. Surprisingly, this trend has not affected the average daily rates negatively, with ADRs increasing significantly in comparison to the very low levels experienced over the first six months of 2014, to now stand at around USD102. Hotels operators have realized that lowering rates will not drive occupancy beyond a certain limit and have instead kept rates higher than in 2013 to achieve a higher performance ahead of the winter, the peak season for the Cairo hotel market.

Hotel Supply

Current Supply (2011–2014)



Future Supply (2014–2017)



Hotel Performance

Occupancy Rate

58% YT April 2013	37% YT April 2014
-----------------------------	-----------------------------

Average Daily Rate

USD 51 YT April 2013	USD 102 YT April 2014
--------------------------------	---------------------------------


2014 / 2015
Outlook
Source : STR Global


2014 / 2015
Outlook
Source : STR Global

Definitions and methodology



The supply data is based on our quarterly survey of 100 projects located in New Cairo and 6th of October, starting from 2011.

Completed building refers to a building that is handed over for immediate occupation.

Residential performance data is based on two separate baskets of projects, one for rentals and the other for sales of villas and apartments. The rental performance is based on 3 bedroom villas and 2 bedroom apartments. The sales data relates to fully finished units, rather than those handed over in a shell and core condition.

The two baskets cover projects in both New Cairo and 6th of October.



The supply data is based on our quarterly survey of the Grade A office space located in Downtown, New Cairo and West Cairo.

Completed building refers to a building that is handed over for immediate occupation.

Prime Office Rent represents the top open-market rent (exclusive of service charge, tenant incentives & local taxes) that could be expected for a notional office unit of the highest quality and specification in the best location in a market, at the survey date.

Vacancy rate is based on estimates from the JLL Agency team. Vacancy rates have been revised for previous quarters.



Classification of Retail Centres is based upon the ULI definition and based on their 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
- Neighbourhood Malls have a GLA of 3,000 - 10,000 sq m
- Convenience Malls have a GLA of less than 3,000 sq m

Prime Rent represents the quoted average rent for the top 5 shopping malls in greater Cairo.

Vacancy rate is based on estimates from the JLL Retail team, and represents the average rate across standard in line unit shops at regional malls



Hotel room supply is based on existing supply figures provided by the Egyptian Hotel Association as well as future hotel development data tracked by JLL Hotels. Room supply includes all graded hotel supply and excludes serviced apartments.

STR performance data is based on a sample of internationally branded midscale and upscale hotel properties.



Cairo

Star Capital 2
8th Floor, Office 86
2 Aly Rashed Street
Heliopolis
Cairo, Egypt
Tel: +20 2 2480 1946
Fax: +20 2 2480 1950

For questions and inquires about the Cairo real estate market, please contact:

Ayman Sami

Head of
Egypt Office
ayman.sami@eu.jll.com

Dana Williamson

Head of Agency
MENA
dana.williamson@eu.jll.com

Andrew Williamson

Head of Retail
MENA
andrew.williamson@eu.jll.com

Chiheb Ben-Mahmoud

Head of Hotels & Hospitality
MEA
chiheb.ben-mahmoud@eu.jll.com

Craig Plumb

Head of Research
MENA
craig.plumb@eu.jll.com

Eman Hussein

Research Manager
MENA
eman.hussein@eu.jll.com



@JLLMENA



youtube.com/joneslanglasalle



linkedin.com/companies/jll



joneslanglasalleblog.com/EMEAResearch

jll-mena.com

COPYRIGHT © JONES LANG LASALLE IP, INC. 2014

This publication is the sole property of Jones Lang LaSalle IP, Inc. and must not be copied, reproduced or transmitted in any form or by any means, either in whole or in part, without the prior written consent of JLL IP, Inc. The information contained in this publication has been obtained from sources generally regarded to be reliable. However, no representation is made, or warranty given, in respect of the accuracy of this information. We would like to be informed of any inaccuracies so that we may correct them. JLL does not accept any liability in negligence or otherwise for any loss or damage suffered by any party resulting from reliance on this publication.