

# SAFE AS HOUSES

Samcrete Development CEO Hisham El Khesen on why investors eyeing real estate are in safe hands putting their savings in properties.

BY NOHA MOHAMMED

challenge. I see that this crisis affects our company both positively and negatively: positively in increasing sales as it confirms real estate as a safe haven and investment vehicle, and negatively because the cost side is becoming very unstable and unpredictable. So as not to be distressingly affected by any dollar shortage, we always try to procure dollars for sensitive materials early on. Furthermore we continuously attempt to source locally, given the relative quality advancement of Egyptian products in recent years.

*Overall, though, real estate is perhaps one of the best-performing sectors despite economic instability. Would you agree with this assessment and how is Samcrete capitalizing on this upturn?*

I totally agree with this assessment. Despite the dire conditions and challenges the economy has been subjected to, the real estate sector was one of the least to suffer. As a serious developer we capitalized on that by taking our performance up several notches. We believe that in times like these corporations should achieve more than their initial promise. That is why we are very diligent on our construction progress.

*Is it just a matter of time before Egypt's real estate bubble bursts, especially now that construction costs and in turn unit prices are on the rise?*

A real estate bubble is formed when prices increase significantly and quickly, which leads people to think that prices will continue to increase, forcing them to speculate. However, after a certain point, people realize that the price increases are incredible, so the bubble bursts and prices decline. This may result in a slowdown of the market or a fall, based on the volume of debts owed to real

estate investors.

Some real estate marketers and developers expect another imminent bubble due to the continuous increase of real estate unit prices, reaching a level that exceeds the abilities of customers, and that does not match the real cost of the projects. This would lead to a recessionary gap in the buying and selling process due to the unexplained increases in the value of real estate assets.

Referring to the real estate crisis that had swept across Egypt between 2001 and 2003, we must be a bit cautious and will have to constantly monitor the market for any changing variables so as not to face any other crises again. But for the meantime I can say that the sector is very promising. While there may be a slowdown in sales or particularly resale of property, there will not be stagnation particularly on the sale of new units. This will be periodical and will affect the not so serious developer. There is a silver lining at the end of the day as the market mechanics vet and filter the players.

*One of your biggest responsibilities is managing Samcrete's Pyramids Heights office park. Can you tell us a little about that development?*

Pyramids Heights Business District is Egypt's first business park, launched even before Smart Village, as it was founded in 2000. It offers spacious and flexible office spaces for rent to companies seeking international standards and a modern work environment that reflects their corporate image and values. It's a dynamic space so we're constantly upgrading our facilities, services and resources. We are currently studying some expansionary plans in the Business Park to sustain our competitive advantage.

*The Egyptian scene is also starting to transform, with startups and small enterprises seeking modern offices and co-working spaces. How is Samcrete tapping into this new market?*

That's a global move by the way. Most of the start-ups or even large businesses prefer to rent a floor in an expedient office space or the entire building depending on their workforce. At Samcrete we're looking very closely and intently at this. The new concepts of co-working spaces are of particular interest to us and we see it as an integral part of our future offerings. We are also very enthusiastic about the amount of startups

that are launching in Egypt and once again are adjusting our models to accommodate as many as possible of them, particularly in the high tech arena, to best serve their needs and facilitate their business growth.

*Samcrete recognizes the importance of entrepreneurship today through its NASS program. What plans are there for 2017?*

The National Academy for Science and Skills "NASS" provides practical solutions for the empowerment and rehabilitation of labor in the real estate sector. NASS academy is mainly concerned with vocational training aiming at developing Egyptian technical labor through specialized schools.

As for 2017, we are now in the final stages of discussions with NASS regarding enhancing entrepreneurship and scholarship programs to provide the real estate market with a larger number of trained technicians.

*What's in the pipeline for your green building solutions and CSR initiatives?*

We always take the environment into consideration when it comes to designing our buildings, whether they are residential or commercial, to find that balance between high-quality construction and low environmental impact. It is a win for us, the client and the environment too.

About our CSR initiatives, as mentioned we are in continuous cooperation with NASS academy and its specialized school of construction technology through providing vocational trainings to Egyptian technical labor force. Our plans include some practical initiatives toward empowering the industry's technicians and engineers, and we're considering signing new collaboration protocols with NASS academy and one of Egypt's leading educational institutes.

*Do you think it is a good idea to invest in Egypt now?*

The Egyptian market is a promising one by all means. There are many diversified and permanent investment opportunities since Egypt has many competitive advantages, one of which is the outstanding geographical location. Then, comes its position as a huge market of more than 90 million consumers. Egypt also has the advantage of being linked to a number of trade agreements and affiliations with dominant economic

blocs such as the European Union and the Arab countries in addition to East Africa, which includes 26 African countries. When it comes to the real estate, Egypt is, lately, the best performance market among investment markets during the last period.

One of Egypt's core challenges now is related to enabling the tourism sector, especially that it is considered one of the top foreign currency generating sectors in the Egyptian economy, not to mention its positive reflection on job creation and service provision.

*What measures has the government taken to protect investors?*

The Egyptian government has recently passed a number of bold regulations including the value-added tax law, liberalization of the foreign exchange rate and the reforms undertaken at the subsidies level. The latest government decisions were highly welcomed by international financial institutions, particularly the IMF, World Bank and the European Bank for Reconstruction and Development. We believe that these steps are consistent with the fact that the severe economic crisis in Egypt requires emergent actions to mobilize the national economy for production.

That said the government should move in a timely manner in considering some crucial files such as the need for issuing a new investment law, incentivizing the private sector through land availability and reasonable prices, enhancing public-private partnership programs in the educational sector to provide the real estate sector with trained labor and to speed up the legal issue of tenders and auctions law.

*What's your advice to investors?*

The real estate sector in Egypt is a safe bet and will likely continue to be so. It is also considered a safe investment; I think people will go on investing in property as they always have, even through the downturn of the past few years. In fact, this sector has witnessed a strong growth since 2014. In this respect, I would like to encourage developers to launch more projects since the demand for high-end housing units is growing, as is the demand for commercial and administrative units. **et**



Looking for "safe havens," investors are likely to put their money in properties, hoping to offset recent price hikes following last November's pound flotation. Hisham El Khesen, CEO of Samcrete Development, weighs in on the key challenges and opportunities faced by the real estate sector given such economic uncertainty, and whether the residential property market is, as many fear, just a bubble about to burst.

*It's been a challenging year for Egypt's economy. How do you assess 2016?*

The government is playing a positive role to achieve a sustainable economic situation and was able to overcome many economic problems in 2016. Attempting to rectify an inheritance of unhealthy approaches to the economy will always be painful at the outset but hopefully the end result will be a positive

one for the country. That's why we are still facing some challenges, especially in attracting new investments in general and foreign direct investments in particular. These challenges should subside once the reforms are in place and the investment atmosphere is a clear and transparent one.

Egypt is still considered a promising market and the real estate sector in Egypt is a cornerstone in this market growth equation. I think that Egypt is an investment magnet with the largest market in the region from a population perspective. In any growing economy the real estate industry is a main vehicle for growth and probably one that usually sees the fastest rates of growth.

*How has Samcrete managed to deal with the recent dollar crunch and subsequent flotation?*

The dollar crunch is an emergency and we will possibly be able to overcome such a chal-