

## Today's Story

### Egypt Real Estate Sector – The Rationale Behind Our “Neutral” View

 Sara Maher | Equity Analyst | [smaher@shuaasecurities.com](mailto:smaher@shuaasecurities.com)



(in Arabic)

The Daily Cast  
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In Today's Story, we summarize our updated view on Egypt Real Estate Sector, which we assign an overall “Neutral” view with different views for each of the four main segments, namely Residential (Negative), Hospitality (Positive), Retail (Neutral), and Office (Neutral). We also list our top stock picks in each of the segments.

Performance of the real estate sector in Egypt over the past couple of years has been resilient, aided by the EGP floatation. Yet, the residential segment's future does not look as comforting. Most argue that developers, small- or large-sized, concentrated their offerings on housing units that cater to one sub-market, namely the high to upper middle class, which is widely perceived to be nothing short of an unmitigated disaster. While this perception could hold true in certain scenarios, some market patterns indicate otherwise. In this note, we lay out the sector's landscape from its four different main segments.

- **Four key segments, different trends:** Contrary to perception, Egypt's real estate sector is not only residential; it includes other segments as well with different dynamics, as follows:
  - I. **Residential (View: Negative):** Demand for primary properties is growing at a slower pace than in 2017 and 2018, largely targeting New Cairo due to its closeness to business districts. We do not expect that buying activity will surpass the levels recorded over the past couple of years. Our stock pick is **TMGH**.
  - II. **Hospitality (View: Positive):** Egypt's tourism sector is approaching pre-revolution peak levels. Also, revitalized tourism is expected to contribute to Egypt's GDP growth. Our stock picks are **TMGH, ORHD, and AMER**.
  - III. **Retail (View: Neutral):** Additional retail gross land area (GLA) is intended to serve the growing consumer market as spending activity expands. Our stock picks are **TMGH and OCDI**.
  - IV. **Office (View: Neutral):** Expected economic growth should lead to a pick up in demand for office spaces. For the time being, however, the sector is more inclined towards stability. Our stock picks are **PHDC, MNHD, and potentially ORHD** (when it launches its new commercial project).
- **SSE Scorecard:** In the final section of this note, we present a scorecard for the segments and 10 EGX-listed companies developed from a SWOT analysis that we conducted. Factors laid in the SWOT matrix and their probabilities led us to an overall **Neutral** rating on Egypt real estate sector, while company scores were assigned depending on each firm's exposure to each segment.

For more details, please read the full report from [this link](#).

## Top Headlines

### Corporate

- **Palm Hills Development (PHDC)** Q2 2019 results reported 18% y/y lower revenues of EGP1.6bn due to lower y/y residential units handover and 44% higher earnings to EGP310mn, partly attributed to high margin deliveries. During H1 2019 the company sold 964 units worth EGP6.05bn, which is lower 23% than H1 2018 sales, with its projects in the North Coast and Alexandria accounting for 66% of the new sales during that period. PHDC's net debt now stands at EGP2.7bn. (Company disclosure)
- **GB Auto (AUTO)** has announced that its shareholders have agreed to implement a restructuring process whereby AUTO and **RJ Investment** will merge. AUTO currently owns 99.9% of RJ Investment. ([Company disclosure](#))
- **Canal Shipping Agencies (CSAG)** proposed a cash dividend of EGP60mn. Proportional to its ownership in CSAG, the **Holding Co. for Maritime & Land Transport (HCMLT)** will receive EGP55mn, and the remainder of the dividend will be distributed to the minority shareholders. ([EGX](#))

## Non-Corporate

- The **Egyptian government** targets to expand average maturity of public debt in the upcoming two fiscal years to five years, up from four years currently. ([Al-Borsa](#))
- **Prime Minister** Mostafa Madbouly announced that the **Egyptian government** is ready to implement a set of procedures to facilitate the process of customs and clearance in Egyptian ports. This will be through having a joint committee for inspection, announcing inspection results within three days, and reducing the paperwork. ([Al-Borsa](#))
- The **European Bank for Reconstruction & Development (EBRD)** will be selecting on behalf of the **Egyptian Electric Utility & Consumer Protection Regulatory Agency (Egyptera)** a consultant to design the independent power producer (IPP) framework. The EBRD has invited banks with relevant experience to submit their bids and will announce the winning bid next month. The contract is expected to cost Egyptera c.EUR 465,000. Anonymous sources at the **Ministry of Electricity** said earlier this year that the **Egyptian government** is looking to end its reliance on power purchased from the private sector under the feed-in tariff (FIT) program in favor of the IPP framework which allows private companies to directly sell power to consumers while paying the state a fee to use the national grid for transmission. ([Enterprise](#))

## Markets

🔻 EGX 30	14,999.58	(0.73%)	🔻 EGX 30 TR	5,535.27	(1.31%)
🔻 EGX 70	553.30	(0.68%)	🔻 EGX 100	1,469.08	(0.60%)
🔻 DFMGI	2,876.44	(0.46%)	🔻 ADSMI	5,105.12	(0.99%)
🔻 TASI	7,924.18	(0.59%)	📈 QE Index	10,300.01	0.25%
🔻 S&P 500	2,906.27	(0.69%)	🔻 MSCI EM	973.27	(1.12%)
🔻 Gold	1,539.45	(0.49%)	📈 Brent Oil	58.53	0.46%

\*As of market close, except for commodities at spot price as of 8.25am CLT.

- **MENA Markets:** Egypt's benchmark **EGX 30** was down on Tuesday, dragged by **COMI**, **EAST**, and **JUFO**. In the **UAE**, **DFMGI** was down as well dragged by **real estate** and **industrial** sectors. However, **ADSMI** also went down, dragged by **banking** and **real estate** stocks. Meanwhile, **Saudi Arabia's TASI** went down on weaker **banking** and **materials** stocks.
- **Global Markets:** **US Stocks** slumped yesterday as a drop in manufacturing activity intensified worries about the global economy and the impact of trade tensions between the **United States** and **China**. **Oil** recovered slightly after touching its lowest in close to a month during the previous session on concerns that a weakening global economy could depress demand.

## Number of the Day

### 1.9mn tons/year

Total urea production capacity of **Misr Fertilizers Production Co. "MOPCO"** (MFPC).

## Today's Quiz

Which sector did Misr Fertilizers Production Co. "MOPCO" (MFPC) first start operating in?

(Answer located at the end of this newsletter)

## Corporate Events

Company	Ticker	Event Type	Event Date	Reason
Suez Canal Bank	CANA	Lawsuit	4-Sep	To rule in a lawsuit that invalidated theBank's AGM on April 4, 2018
Ezz Steel	ESRS	Lawsuit	9-Sep	Steel Billets -Law Suit
Global Telecom Holding	GTHE	EGM	8-Sep	Discussing delisting from EGX; approving asset sale.
Dice Sport & Casual Wear	DSCW	EGM	12-Sep	Discuss capital increase
Amer Group Holding & Porto Group Holding	AMER / PORT	Lawsuit	15-Sep	Legal Disputes relevant to <i>Porto Tartous</i> project
Canal Shipping Agencies	CSAG	Tender	15-Sep	put up a two-story building for rent in an auction
Maridive & Oil Services	MOIL	EGM	16-Sep	Discuss capital increase
El Ezz Aldekhela Steel Alexandria	IRAX	EGM	22-Sep	Voting on Capital increase and the acquisition of EFS and ERM
Egyptian Resorts Co.	EGTS	AGM	25-Sep	Reviewing Agenda Items
Amer Group Holding	AMER	Lawsuit	26-Sep	Legal disputes relevant to the company
Porto Group Holding	PORT	Lawsuit	26-Sep	Legal disputes relevant to the company
Arabia Investments and Development	AIH	Lawsuit	29-Sep	lawsuit against French Peugeot
Sidi Kerir Petrochemicals	SKPC	Dividends	16-Oct	Payment date (EGP0.25/share)
Egyptian Resorts Co.	EGTS	Lawsuit	26-Oct	Appeal against TDA regarding Sahl Hasheesh
Misir Cement (Qena)	MCQE	Dividends	31-Oct	Payment date (EGP0.25/share)

## Quiz Answer

The petroleum sector.

## Contact Details

☎ +(202) 16331

📍 143, Bank Zone, 5th Settlement,  
New Cairo, First Abu Dhabi Bank Building (6<sup>th</sup> Floor)  
Cairo, Egypt

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