

Egyptian Real Estate development between yesterday and today (1990 - 2023)

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الملخص

يهدف هذا البحث إلى استكشاف تطور التمويل العقاري في مصر، ويحلل الأنظمة المحلية، ومراحل تطور السوق، ودور البنوك، والتحديات التي تواجهها. كما يتناول قانون التمويل العقاري المصري رقم (148) لسنة 2001 ولائحته التنفيذية، وكذلك القانون رقم (93) لسنة 2018 بشأن مبادرات الإسكان الاجتماعي ودعم التمويل. منذ عام 1990، شهد القطاع العقاري المصري تغييرات كبيرة في السياسات والإصلاحات التشريعية لتعزيز دوره كركيزة اقتصادية أساسية. وشملت هذه الجهود تقييم أصول الدولة لإعادة استغلالها، وإضفاء الشرعية على الأراضي المتعدية عليها، وتطبيق قانون الضرائب العقارية، وتنظيم المباني المخالفة والتصالح عليها، ومراجعة قوانين الإيجار القديمة. يستخدم البحث منهج التحليل الوصفي لتحليل التمويل العقاري والسوق العقاري المصري، مع التركيز على مفاهيم من قانون التمويل العقاري لعام 2001، وقانون الإسكان الاجتماعي لعام 2018، ومبادرات التمويل العقاري المختلفة لعام 2021، بالإضافة إلى بيانات من مختلف المصادر. وكشفت النتائج أن الجهات الحكومية قامت بتقييم أصول الدولة، وتقنين أوضاع الأراضي المخالفة، وفرضت الضرائب العقارية لضمان الشفافية وعدم هدر أموال الدولة. وفي عام 2015، خصص البنك المركزي مبلغ 20 مليار جنيه لتمويل الرهن العقاري لمشروعات الإسكان لمحدودي ومتوسطي الدخل. إلا أن ذلك أدى إلى زيادات غير مسبقة في أسعار الأراضي والوحدات، مما يشكل تحدياً للسوق والاقتصاد. وهناك حاجة إلى خطة تدريجية ومنهجية لإعادة هيكلة القطاع، مع الأخذ في الاعتبار وضع السوق العقاري في البلاد والظروف الاقتصادية. وتوصي هذه الدراسة بتحديث الأنظمة العقارية، وتحديث أنظمة تسجيل الأراضي، وتعزيز آليات تحصيل الضرائب لمواجهة هذه التحديات وتعزيز سوق العقارات المستقر والشفاف في مصر.

الكلمات المفتاحية: خلفية الرهن العقاري، قانون التمويل العقاري، المبادرات الحكومية العقارية

Abstract

The research explores real estate financing in Egypt, analyzing local systems, market development stages, bank role, and challenges. It also explores the Egyptian Real Estate Finance Law No. (148) of 2001 and its regulations, as well as Law No. (93) of 2018's social housing and financing support initiatives. Since 1990, the Egyptian real estate sector has experienced significant policy changes and legislative reforms to maximize its role as a fundamental economic pillar. These efforts have included the assessment of state assets for re-exploitation, legalization of infringed land, implementation of real estate taxes, regulation of offending buildings, and revision of old rental laws. **The research uses a descriptive analysis** approach to analyze real estate financing and the Egyptian real estate market, focusing on concepts from the Real Estate Finance Law of 2001, the Social Housing Law of 2018, and various 2021 financing initiatives, as well as data from various sources. **The results reveal** that Government agencies have assessed state assets, legalized infringed land conditions, and implemented real estate taxes to ensure transparency and non-waste of State funds. In 2015, the CBE allocated EGP 20 billion for mortgage financing for low- and middle-income housing projects. However, this has led to unprecedented increases in land and unit prices, posing a challenge for the market and economy. A gradual and systematic plan is needed to restructure the sector, considering the country's market and economic conditions. **This study recommends** updating real estate regulations, modernizing land registration systems, and enhancing tax collection mechanisms to address these challenges and promote a stable and transparent real estate market in Egypt.

Keywords: Mortgage background, Real estate laws, Government initiatives

1- Introduction:

The housing problem in Egypt, which originally represents a problem for the poor and low-income people, has steadily escalated and its severity has increased not only due to the increasing rate of population growth, economic crises, or increasing rates of migration from the countryside to the cities, but also due to the diagnosis of the problem and the means of dealing with it and reducing it. The success of housing policies depends not only on the number of housing units produced, but also on a number of other quantitative, qualitative and economic criteria, and placing the poor and low-income group at the top of the housing policy priorities.

There is no doubt that one of the basic social rights and human security is the human right to housing, which is linked to the human right to life (Allawi & Al-Musumi, 2015)¹. Despite this, housing policy in Egypt did not receive sufficient attention, whether in terms of legal legislation or government policies, before the outbreak of the January 25, 2011, revolution, which was on the list of demands of that revolution. With the change in the regime of government in Egypt, attention to housing policy began to be among the priorities of post-revolution governments, through the adoption of many housing projects to fill the deficit in the growing demand for housing units, especially from the youth, poor, and low-income groups, and to confront the problem of slums and equitably distribute investments in the field of housing at the governorate level.

Egypt as a whole. The government is primarily responsible for solving the housing problem through planning, direction, legislation, financing, and implementation. As for entrusting the problem to the private sector, it will not be the appropriate solution, as all that concerns the private sector is the goal of achieving profitability, not the tendency for social responsibility (Haddad, 2019)². In light of this, the Egyptian Real Estate Finance Law No. (148) of 2001 and its executive regulations, as well as Law No. (93) of 2018 regarding social housing and support for real estate financing, were issued to reduce the housing crisis for low- and middle-income people.

According to the rules and procedures specified by the executive regulations of the real estate financing law in Egypt, real estate financing is defined as financing with loans, or an amount obtained by the applicant from various financial institutions (banks, real estate financing companies to purchase new or used real estate, or repair and improve existing buildings, according to the type of residential property). (or commercial or service), by guaranteeing the lien on the property, or officially mortgaging it, or other guarantees accepted by the financier, over a relatively long period of time that may reach more than twenty years. In other words, it is a financing process in which a natural or legal person invests in purchasing different types of real estate through certain guarantees accepted by

¹ Kadhim Allawi, M., & Mahmoud Al-Musumi, A. (2015). Housing and Urban Development in Egypt: A Review of Policies and Challenges. *International Journal of Humanities and Social Science Research*, 5(2), 25-40. <https://doi.org/10.11648/j.ijhssr.2015.05.02.11>

Haddad, H. (2019). Post-Revolution Housing Policies in Egypt: Achievements and Challenges. ² *Middle East Journal of Urban Development*, 12(1), 55-68. <https://doi.org/10.37589/mejud.12.1.55>

financial institutions in accordance with the rules and procedures determined by the Central Bank (Gomaa, 2016)³.

1.1 Research problem.

The problem of real estate financing is considered one of the most important challenges facing the growth of the real estate sector in Egypt. Real estate financing is the lifeline of the real estate sector, due to its contribution to the completion of residential, commercial, or service real estate projects, especially for investors and individuals from low- and middle-income groups. The problem of the research is the weak volume of real estate financing available and provided to the real estate sector in Egypt compared to the market size of supply and demand for housing. Real estate financing is still limited and does not meet the needs of individuals from low- and middle-income groups, which represent about 60-70% of segments of Egyptian society. Despite the issuance of the Real Estate Finance Law in Egypt since 2001, as well as the Social Housing Law of 2018, and despite the various initiatives to support real estate financing in 2021 aimed at revitalizing the real estate sector, financing the real estate sector in Egypt still faces some problems and challenges.

1.2 Research Questions:

The research main question is what are the stages that helped in formulating the mortgage finance law in Egypt?

Research sub-questions:

- 1- What are the development stages of real estate financing in Egypt?**
- 2- What is the mortgage financing laws in Egypt?**
- 3- What are the Government initiatives that helped in Egyptian real estate market?**

1.3 Research objective.

The research aims to explain the development of real estate financing in Egypt by identifying the status and systems of real estate financing at the local level, analyzing the reality and features of the Egyptian real estate market, explaining the stages of development of the housing sector in Egypt, the role of Egyptian banks in the field of real estate financing, and monitoring the most important problems and challenges facing the sector. Real estate in Egypt. The research also aims to clarify the various dimensions of the Egyptian Real Estate Finance Law No. (148) of 2001 and its executive regulations, as well as Law No. (93) of 2018 regarding social housing and real estate financing support initiatives and their role in reducing the housing problem for low- and middle-income people. Finally, the research reviews the results that were obtained. reached and the recommendations proposed therein.

1.4 Research methodology.

The research relies on a descriptive analysis approach by analyzing data and describing information related to real estate financing and the real estate market in Egypt in light of relying on the analysis of concepts related to the Real Estate Finance Law of 2001, as well as the Social Housing Law of 2018 and various real estate financing initiatives for the year 2021. Information was also relied upon.

³ Ibid.,26

Data and statistics published in studies and scientific periodicals related to the Egyptian real estate investment sector, as well as publications of the Egyptian Real Estate Finance Fund, the Central Bank of Egypt, the Central Agency for Public Mobilization and Statistics, the Center for Support and Decision-Making in the Egyptian Council of Ministers, and the Ministries of Investment and Housing in Egypt.

1.5 Research Plan:

By the end of this research the following will be presented:

1- Introduction

2- Egyptian Housing sector development between (1990 – 2024)

3- Real Estate financing laws

4- Real Estate Government initiatives

5- Conclusion

2- Egyptian Housing sector development between (1990 – 2024)

The housing sector in Egypt witnessed four basic stages from 1990 until 2021, which were briefly represented by the following stages:

2.1 The period from (1992-2011)

This period was characterized by the growth of the supply of luxury, tourist, and recreational housing and the shrinking of the supply of medium-sized and popular housing, especially with the state's tendency to place government housing companies on the list of companies that will begin to be offered for privatization. A group of the largest public sector housing companies were floated, the most important of which were Heliopolis Housing, Nasr City Housing, Cairo Housing, United Housing, Construction and Engineering Consultations, and Al-Shams Housing, in addition to other companies that were floated for privatization. This resulted in the government declaring its responsibility for creating affordable housing for low-income people, while medium and premium housing will be the responsibility of the private sector. Indeed, the government established a number of housing projects for low-income people and youth, including the Mubarak Youth Housing Project in 1996, the Future Housing Project in 1998, and the National Housing Project (2005-2011), which was based on providing 500,000 housing units in new cities and governorates (Ministry of Housing, Utilities and Urban Communities, 2009).⁴

One of the characteristics of that period was the state's tendency to redistribute the population in the regions of Greater Cairo and Alexandria by allowing private housing companies to enter this investment market by granting them special privileges to establish residential projects and cities. However, what happened was the opposite, as these companies established tourist resorts. There is entertainment in these areas in the form of luxury housing, which has led to an

⁴ Ministry of Housing, Utilities and Urban Communities (2009) Mubarak and Urban Achievements of the Present and Future, Ministry of Housing, Cairo.

increase in the supply of luxury housing in exchange for a growth in the size of the gap in medium and popular housing (Shawkat, 2018)⁵.

The main motive for encouraging private sector companies to direct their investments to luxury housing was the assumption that about 20% of Egypt's population is able and willing to purchase recreational and tourist residential units, although current indicators indicate that this hypothesis is wrong in light of the real estate recession in Egypt in this type of situation. Housing units. This was helped by the decline in land prices allocated to these companies, which encouraged them to continue these investments, which included multiple regions, where the majority of investments were directed to them.⁶

The matter did not last long, as the economic situation in Egypt and the recession crisis that occurred at the end of the nineties had a negative impact on the real estate sector, especially as a result of the liquidity crisis and exchange rate fluctuations, which negatively affected the average per capita income and thus his purchasing power. In addition to the previous sectoral changes, the accumulation of the inventory size of residential units, especially above-average housing, which represents about 75% of the units offered, led to a decline in the average price per square meter in above-average housing at a rate exceeding 50% in many cases and helped to decline profit margins (Ismail, 2015)⁷.

One of the most important features of real estate investment during this stage is that companies, in order to promote their units and projects, for which the volume of demand has decreased, tend to sell in installments (sale on credit) to encourage the movement of transactions within the real estate market, which led to raising the risk rates of debt collection. One of the most important factors that led to the phenomenon of real estate stagnation during that period is as follows (Talaat, 2018)⁸:

- Relying on price speculation as a basis for companies' marketing and sales policies.
- A decrease in the average per capita share of national income and thus a weakening of purchasing power.
- Increasing the supply of housing units despite the shrinking demand.
- The nature of work in the sector, which is concentrated in above average and luxury housing.
- The lack of a flexible legislative framework that is compatible with business changes in the real estate sector.

At This point, the government presented a draft real estate lending law with the aim of achieving balance in the relationship between demand and supply for

⁵ Yehia Shawkat (2018). Housing policy in Egypt between continuing the policies of the past and developing fair policies for the future, Egyptian Initiative for Personal Rights Economic and Social Justice Unit, 1st edition, Cairo.

⁶ Ibid

⁷ Muhammad Ismail. (2015) Public policy making in Egypt, housing policies as a case, study 1991-2013, Cairo, Master's thesis, master'sent of Political Science, Faculty of Commerce, Assiut University.

⁸ Mohamed Talaat (2018) Citizenship and the Role of Real Estate Finance in Solving the Housing Problem in Egypt, Faculty of Law, Volume No. (1), Twelfth Scientific Conference,

housing units to get out of these obstacles. Among the most important features of the real estate financing market in Egypt during that period are the following (Hosni, 2010).⁹

- The difficulty and complexity of real estate registration procedures and the high registration fees.
- Weak investment trend in middle-income and low-income housing.
- The lack of a legislative and institutional framework that allows the existence of a real estate financing market in Egypt.
- Lack of sufficient awareness of real estate financing activity.
- There are no real estate financing companies.
- Banks and real estate development companies finance the purchase of real estate through personal loans and installment sales systems.

2.2 The period from (2011-2021)

In the wake of the revolution of January 25, 2011, attention was given to the issue of housing among the priorities of all governments that assumed responsibility after the revolution, and in fact they adopted a number of projects to fill the deficit in housing units that Egypt is currently witnessing, as the largest housing project for youth was announced, confronting the problem of slums, and the state meeting the needs of the limited. Income and youth from housing units and the fair distribution of housing investments at the governorate level with the availability of infrastructure and facilities (Al-Moselhi, 2017).¹⁰

This period of time, at the beginning of the January 25 Revolution, was characterized by a kind of chaos and infringement on the rule of law represented by the random and rapid expansion of construction operations on agricultural lands without any oversight due to the state of security vacuum at the beginning of the revolution.¹¹

The right to housing appeared for the first time in the 2012 Constitution and its constitutional amendments in 2014 regarding the right of citizens to adequate housing, and that the state adopts a national housing plan based on social justice, human dignity, housing cooperatives, and organizing the use of state lands for urban purposes in a way that achieves the public good and preserves the rights of generations. Coming. The state is also committed to developing a comprehensive national plan to confront the problem of slums, which includes re-planning and providing infrastructure and facilities within a specific period of time ((The Constitution of the Arab Republic of Egypt, 2014)¹².

In light of this, Social Housing Law No. (33) of 2014 was issued. The social housing project, including the Social Housing Fund, is one of the positive results of the January 25 Revolution, and it is the largest housing project in the history of Egypt for the benefit of low-income people, by establishing one million housing

⁹ Hassan Hosni. (2010) Problems of Housing and Real Estate Finance in Egypt, Arab Manager Magazine, Senior Management Group, Issue (192)

¹⁰ Naglaa El-Moselhy. (2017): Social Dimensions of Housing Policies in Egypt, National Social Journal, Issue (3), Volume (54), September, Egypt.

¹¹ Ibid

¹² The Constitution of the Arab Republic of Egypt. (2014). Article 78.

units in all parts of Egypt. At a cost estimated at approximately 150 billion Egyptian pounds, with multiple entities supervising and implementing the project. Despite all the efforts made by the government to reduce the housing problem by actually offering different housing units, they are still not suitable for low-income people (Social Housing Law No. 33 of 2014, 2014)¹³.

The state of stagnation in the real estate sector continued as a result of economic instability following the revolution of January 25, 2011, and land offers in new cities were promoted as a way out to stimulate the real estate market and mitigate the impact of the real estate recession crisis and exchange rate fluctuations, as the building and construction sector witnessed a decline of 40% in 2012. Since In 2013, real estate prices rose significantly, speculation on residential lands increased, and supply became greater than demand for real estate. Some also warned of the possibility of a real estate bubble (Shawky, 2014)¹⁴.

In May 2020, Ministerial Resolution No. (314) was issued to stop issuing building permits in all governorates and major cities under specific conditions. This decision, along with other factors such as the Coronavirus or Covid-19 crisis, and the resulting precautionary measures and the cessation of global import and export movement, contributed to the rise in building materials prices and the continued stagnation in the real estate market.¹⁵

The volume of investment in the Egyptian real estate sector in 2020 reached about 700 billion Egyptian pounds, of which 55% is represented by the public and governmental sectors and the rest by the private sector, due to the shift of a large number of Egyptian investors from the stock market to real estate investment as it is safer, more stable, and of limited risk, in addition to preferring... Individuals direct their savings towards real estate investments as a safe haven from the decline in the value of the local currency and high inflation, with the aim of achieving a degree of profit compared to other types of investments, in addition to the presence of a culture of property ownership among the Egyptian citizen (Egypt Real Estate Report, 2021)¹⁶.

Building permits issued by the agencies of the New Urban Communities Authority, as well as city and district councils, are considered an indicator of the growth of investments in the Egyptian real estate sector, as the number of these licenses in 2021 reached about 43.8 thousand building permits, of which 42.1 thousand licenses were for the private sector, at a rate of 96.2%, and 1.7 thousand licenses were for the public and governmental sectors by 3.8%.¹⁷

The growth of local sales of iron and cement is also considered an indicator of the growth of the Egyptian real estate sector, as iron sales increased by 15% from 5,150 million tons in 2020 to 6,017 in 2021, and cement sales increased by 14% from 13.2 million tons in 2020 to 14 million tons. In 2020, in order to meet the

¹³ Social Housing Law No. 33 of 2014. (2014). *Official Gazette*.

¹⁴ Baher Shawky. (2014) Real Estate Mortgage Law, Continuing Population Biases, Egyptian Center for Housing Rights, Cairo.

¹⁵ Ibid.,49

¹⁶ Egypt Real Estate Report. (2021). *Annual Real Estate Market Review*. Cairo, Egypt.

¹⁷ Ibid

increasing demand for real estate, Decision Support and Decision Center, Information Reports, 2021)¹⁸.

2.3 Current State of the Egyptian Real Estate Sector 2024

Egypt's house prices continue to skyrocket, buoyed by strong property demand, coupled with the government's tough economic reforms in recent years, particularly the successive currency devaluations and the recent liberalization of foreign land ownership rules in the country.

In the first quarter of 2024, the nationwide real estate price index surged by 39.3% from a year earlier, following a year-on-year price growth of 22.3% in the previous year, based on figures from Egypt's leading real estate portal, Aqarmap. When adjusted for inflation, real estate prices rose by a more modest 4.5% over the same period, amidst persistently high inflation (Aqarmap, 2024)¹⁹.

Quarter-on-quarter, real estate prices increased 4.9% in Q1 2024 but actually declined 8.2% in real terms. Real estate prices rose strongly by 41.9% (6.1% in real terms) during 2023, following annual growth of 25.4% in 2022 and 3.6% in 2021, and a y-o-y decline of 9.6% in 2020.²⁰

The surge in prices was supported by JLL. "In line with the primary market trends, property owners in the secondary market persistently escalated their annual selling prices and rental rates, particularly during the fourth quarter of 2023, where the rate of increase surged significantly when compared to previous quarters. On a yearly basis, average sale prices in Q4 2023 increased by 56% and 63% on the 6th of October and New Cairo, respectively" (JLL, 2024)²¹.

Contractors increased their building expenses further, citing the possibility of national currency devaluations and the ensuing inflation of costs. Developers were therefore forced to carefully consider and modify their off-plan sale pricing in order to recover losses and maintain stable profit margins going forward. Sale prices in Cairo are thus anticipated to keep rising in the near to medium term, according to JLL.²²

President Abdel Fattah el-Sisi recently removed the last restrictions on foreign ownership of land and property in Egypt, in an effort to buoy the housing market. He also allowed the government, the biggest landowner in Egypt, to use its land for public-private partnership schemes. These improvements, together with the fundamentally strong local demand, are now beginning to boost the housing market and the overall economy in general (Egyptian State Information Service, 2023)²³.

In November 2016 Egypt floated the Egyptian pound (EGP), causing a dramatic depreciation against major currencies - making real estate more attractive from the

¹⁸ Decision Support and Decision Center. (2021). *Information Reports*. Cairo, Egypt.

¹⁹ Aqarmap. (2024). *Egypt Real Estate Demand Index*. Retrieved from <https://index.aqarmap.com/>

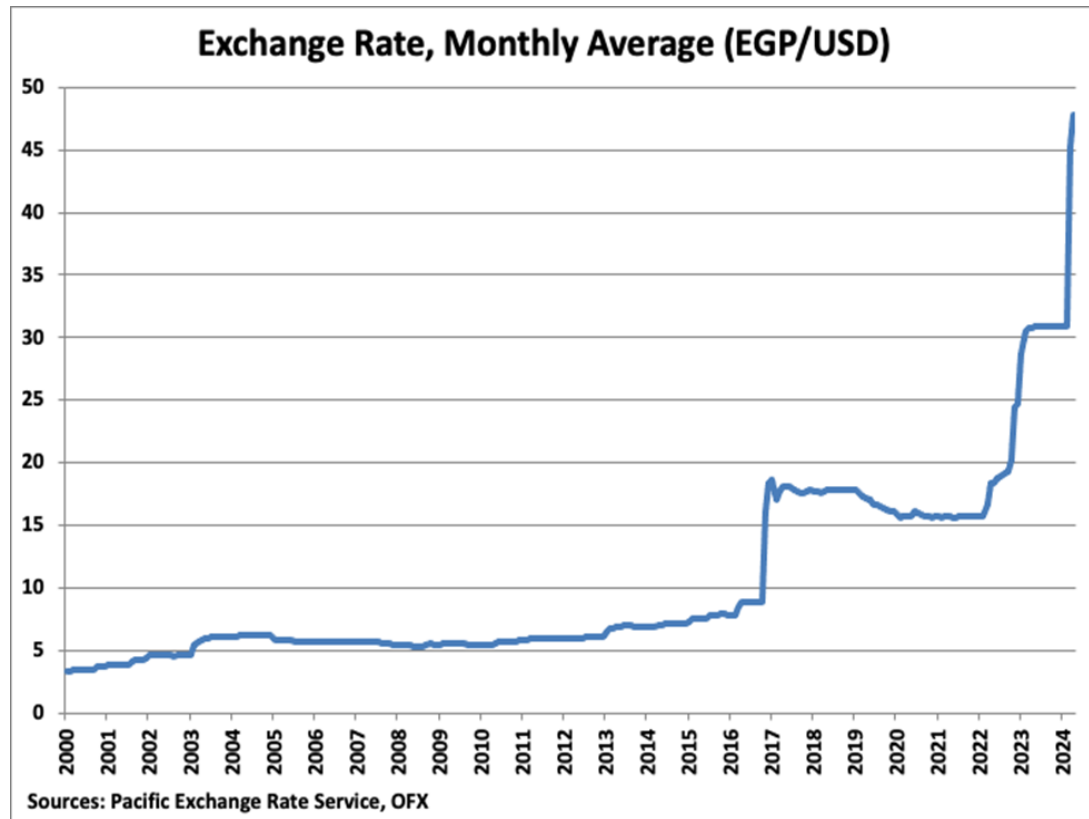
²⁰ Ibid

²¹ The Cairo Real Estate Market Overview (JLL): <https://www.jll-mena.com/content/dam/jll-com/documents/pdf/research/emea/mena/jll-the-cairo-real-estate-market-research-a-year-in-review-2023.pdf>

²² Ibid

²³ Egyptian State Information Service. (2023). *President Sisi lifts restrictions on foreign land ownership*. Cairo, Egypt.

perspective of the wealthy Egyptians. If he lives abroad, Egyptian property is much less expensive, because of the currency depreciation. In fact, in 2022, Egypt devalued again its domestic currency twice, with a pledge to adopt a flexible exchange-rate policy, eventually helping the country clinch a US\$3 billion loan from the International Monetary Fund (IMF)((International Monetary Fund, 2023)²⁴.



In January 2023, the central bank devalued the domestic currency for the third time, resulting in a loss of approximately 40% of its value. Then in early March 2024, the country devalued its domestic currency again by more than 38% to pave the way for billions more in loans from the IMF. As a result, the average exchange rate reached EGP47.79 per USD 1 in April 2024 - a more than 81.4% cumulative decline from its value of EGP 8.88 per USD 1 before the decision to float the currency in 2016 (Egyptian State Information Service, 2023)²⁵.

There is a huge, real demand for housing in Egypt, as the country's population increases by 2.5 million annually and there are about one million marriages taking place every year. There is also increasing foreign demand in the country. Foreigners can buy property in Egypt, under Law No 230 of 1996. However, foreigners cannot buy more than two pieces of real estate, which cannot exceed

²⁴ International Monetary Fund. (2023). *IMF Agreement with Egypt*. Retrieved from <https://www.imf.org/en/Countries/EGY>.

²⁵ Egyptian State Information Service. (2023). *Government economic reforms and initiatives*. Cairo, Egypt.

4,000 square meters (sq. m.), and their purpose must be for a family member to live in the property. If registered, the property cannot be sold or rented for five years. In addition, the government implemented other reforms recently: (International Monetary Fund, 2023).²⁶

- A value-added tax (VAT) was introduced.
- Egypt's Investment Law was amended to attract more foreign investors.
- Fuel and electricity subsidies have been continuously reduced since 2014, as part of the government's goal of reducing spending.
- The price of sugar was raised by 40%.
- The CBE has abolished a 'priority list' for imports.
- The time and day limits during which banks are allowed to execute foreign currency exchanges have been extended.

Other initiatives included the launch of several mega-projects to boost economic growth, including the expansion of the Suez Canal and the construction of a new capital city. "The implementation of structural reforms, supported by the IMF program, and the shift to a durably flexible exchange rate regime are expected to relieve the pressure on external financing and accelerate reforms," said the European Bank for Reconstruction and Development (EBRD).²⁷

Egypt has successfully weathered the adverse impact of the Covid-19 pandemic, with its real GDP rising by 3.5% in 2020 and by another 3.3% in 2021. Egypt is the only nation in the MENA that avoided negative GDP growth during the onset of the pandemic. The economy expanded by a healthy 5%, on average, in the past seven years, as various economic reforms have successfully buoyed business investment and private consumption in the country. After growing by 6.7% in 2022, the Egyptian economy expanded by another 3.8% last year. The International Monetary Fund (IMF) projects Egypt's economy to grow by a modest 3% this year.²⁸

3- Real estate financing law in Egypt

In light of the revitalization of the real estate market in Egypt after the recession that the real estate sector experienced, the Real Estate Finance Law No. (148) of 2001 was issued, amended by Law No. (55) of 2014. The law included the establishment of some new bodies that have the right to practice real estate financing activity as active parties. Among them is the Real Estate Finance Authority, a fund to guarantee and support real estate financing activity, real estate financing companies, and registered banks can participate after the approval of the Central Bank of Egypt, in addition to changing the activity of some companies to include activity related to real estate financing, such as real estate insurance companies and companies that inquire about the credit history of customers. Real estate financing applies to the areas of purchasing, building, improving and renovating housing and service, administrative and commercial units. After amending the law in 2014, new areas were added, namely financing

²⁶ International Monetary Fund. (2023). *Egypt: Economic outlook and IMF support*. Retrieved from <https://www.imf.org/en/Countries/EGY>.

²⁷ Ibid., 57

²⁸ Ibid.,57

the purchase of real estate through the usufruct, participation and Murabaha system, real estate refinancing and financial leasing. The Financial Supervision Authority is the body responsible for regulating, controlling, and supervising all real estate financing activities, by setting controls that ensure the efficiency of its market and monitoring its activity (Ayyad, 2022)²⁹.

3.1 The importance of real estate financing law.

According to shaker (2013) The importance of real estate financing law is limited to the following (Shaker, 2013)³⁰

- The possibility of a longer repayment period compared to any other financing system, as the duration of real estate financing may reach thirty years.
- Possibility of early repayment of the financing loan.
- Possibility of financing up to 90% of the unit value without burdens on the customer, whether investor or buyer.
- The customer has the right to choose some financing conditions, whether the value of the advance paid or monthly unit installment.
- Financing includes low- and middle-income groups within the annual income framework for each category.
- The client has the right to dispose of the property to others after the approval of the financier.
- The possibility of another party partnering with the primary customer to pay the financing installments.
- The interest rate on the financing loan is fixed throughout the contract period.

The issuance of the law also resulted in the need for some professions that did not exist or existed and needed to be legalized, such as real estate appraisal experts, real estate brokers, real estate agents, real estate registration assistance agencies, and the creation of bodies that would supervise and evaluate their work. The Real Estate Finance Law deals with everyone who requests real estate financing, but it stipulates that the payment installment should not exceed 25% for those with limited income, and 40% for those with medium and high incomes (Trading Club, 2021)³¹.

The real estate financing system aims to control the rhythm of the real estate market, create effective demand in the real estate market, and achieve benefit for every party in the real estate financing system, in addition to focusing on the principle of specialization, meaning eliminating overlap in roles for everyone related to the real estate market. It also stimulates activities and professions related to the real estate market, encourages competition, and prevents monopoly. It is granted any real estate financing that exceeds 90% of the value of the

²⁹ Hisham Ayyad. (2022) Real Estate Finance and Practical Steps for Implementation, Al Nour Library, Cairo.

³⁰ Ali Shaker. (2013) Activating the Real Estate Finance Law, Real Estate Valuation Expert Preparation Course, Cairo University.

³¹ Trade Club (2021) Conditions and procedures for obtaining a housing unit within the framework of the Central Bank initiative, Money and Trade Magazine, Issue (629), Trade Club, Cairo.

property, the value of which is determined by appraisers approved and registered with the Authority, and he must not be an employee.³²

3.2 Advantages and disadvantages of real estate financing law.

According to Abdel aziz (2021) The most important advantages and disadvantages of real estate financing law can be summarized as follows (Abdel Aziz, 2021)³³:

One of the most important advantages of the real estate financing law in Egypt and its amendments introduced in 2014 and 2018.

- Achieving recovery and prosperity in the real estate market, providing housing units for all categories, achieving a balance between supply and demand, and preserving the huge real estate wealth, which represents about two-thirds of Egypt's wealth.
- Linking the housing market and the money market by financing real estate loans with bonds attached to those assets and not through financing from banks' capital, which leads to solving the liquidity problem, as the bank and the real estate lending company can sell the mortgage to the securitization company and obtain their money and then re-inject it into the market. once again.
- Introducing insurance for loan installments, as well as simplifying mortgage procedures, with protection mechanisms in the event of the borrower's default, which allows the company to obtain its rights.
- Creating real estate lending companies that can, alongside commercial and real estate banks, pump the necessary investments into the housing sector.
- Activating other sectors related to the housing sector, such as the construction materials sector, and creating new job opportunities in addition to increasing liquidity in the market.
- Working to stimulate the financial market, as real estate lending bonds can attract insurance companies, insurance and pension funds, given that the bonds suit the nature of their investments.

While the disadvantages according to Afifi (2018)³⁴:

- The Real Estate Finance Law stipulates that real estate lending companies are subject to the Ministry of Economy, and it would have been preferable for them to be subject to the supervision of the Central Bank of Egypt due to their specialized financial nature.
- The real estate financing law does not contribute effectively to solving the problem of low-income people, as they do not have the financial ability to bear the burden of the monthly installments. The law defines low-income people as a single person whose annual income does not exceed nine thousand pounds, or a married person whose annual income does not exceed Over twelve thousand pounds.

Ibid ³²

³³ Qasim, Abdel Aziz. (2021) Real Estate Finance and Development, Money and Trade Magazine, Issue (630) Trade Club, Cairo, 2021.

³⁴ Ayman, Afifi. (2018) Towards activating an integrated strategy for developing policies to provide and facilitate housing in the Arab world: an analytical study of the Egyptian experience, Palestinian Economic Policy Research Institute, Mass.

- The Real Estate Finance Law does not stipulate strict procedures that guarantee lending companies the recovery of their rights in the event of the borrower's default.

- The lack of flexibility in the real estate financing law, as it stipulates that it is not possible to dispose of the property in any type of disposition or transaction before seven years have passed from the date of obtaining support or the Fund's approval.

In the end, it is expected that the real estate market will witness a tangible improvement in the movement of buying and selling residential units and lands following the continuous updating of the provisions of the executive regulations of the Real Estate Finance Law, which achieves an integrated system for all dealers in the real estate market.

4- Real Estate Government initiatives

Banks operating in the Egyptian market have taken important steps in the field of real estate financing by offering loans at special interest rates guaranteed by the property. Despite the noticeable expansion by many banks in the field of real estate financing, some banks still view this type of financing as risky and are reluctant to engage in it. This situation has led to the Central Bank of Egypt asking banks to benefit from the specified percentage for real estate financing. It is a maximum of 5% of the total approved loans. Given the great importance of real estate financing, the government has launched a number of initiatives that varied between banking initiatives and presidential initiatives to encourage real estate financing in the Egyptian economy. The following is a presentation of the most important real estate initiatives in the Egyptian market in the period from 2015 to 2022:

4.1 Central Bank Initiative for low- income (2015-2019)

Given the main role of the banking system in stimulating real estate financing, the Central Bank of Egypt saw the need to stimulate and encourage banks to expand in this field, while directing them to pay attention to low- and middle-income people, out of its belief in the social responsibility that falls on its shoulders, in addition to its economic role, provided that this is done by launching an initiative aimed to achieve structural reform of real estate financing by making long-term financing available at low rates of return to ensure the provision of appropriate support to the categories mentioned as follows: (Central Bank of Egypt, 2014)³⁵

Central Bank of Egypt. (2014). CBE governor letter on real estate financing initiative. *Cairo, Egypt*.³⁵

	Law income		Middle income	Above middle income
Central bank lending rate to banks	0.5%	2.5%	4.5%	7%
Bank margin	4.5%	4.5%	3.5%	3.5%
The final lending price for the customer	5%	7%	8%	10.5%
Maximum monthly income	2100 L. E	Determined by SHMFF	10,000 per person and 14,000 per family	15,000 per person and 20,000 per family
The maximum unit price for financing	Determined by SHMFF		700,000 L. E	950,000 L. E

Source: CBE Governor letter, February 2014

**The maximum monthly income has been raised by the Real Estate Finance Fund to become EGP 3,500 for an individual and EGP 4,750 for a family.

The following rules and procedures for the real estate financing initiative for low-income people³⁶:

1. Banks receive requests from low-income people through the Social Housing and Real Estate Finance Support Fund, as this initiative applies to all units available through the fund only.
2. It covers compensation for the return rate difference. Central Bank's main operation rate (Mid-Corridor) + 2 - The return rate for low-income people (5%) or (7%) each of the following:
 - Commission on highest debit balance.
 - Administrative expenses, returns and other commissions.
 - Appraisal, mortgage, and any other expenses (example: insurance).
 - Taxes and stamps expenses are applied in accordance with applicable laws, with an emphasis that the final return rate applied to the client is 5% or 7%.
3. Conditions for clients benefiting from the initiative
 - To be of Egyptian nationality.
 - The customer is only entitled to benefit from the initiative once, regardless of any real estate loans that have been or will be obtained by the customer outside the framework of the initiative.
 - The maximum monthly income for customers and the maximum price of the unit being financed are determined in accordance with what is decided

³⁶ Ibid

by the Board of Directors of the Social Housing and Real Estate Finance Support Fund.

4. Each bank conducts the necessary credit study in accordance with its policy, obtains credit approvals, and fulfills all conditions, guarantees or documents that enable the bank to complete mortgage procedures and then disburse to customers, considering the following as a minimum:

- Conducting an inquiry about customers includes inquiring through the Egyptian Credit Inquiry Company to find out the customer's past dealings with the banking sector, in addition to confirming that the customer did not obtain financing within the framework of the initiative.
- When the bank acknowledges the value of the loan to the General Administration for Credit Risk Collection at the Central Bank of Egypt and the Egyptian Credit Bureau, the initiative's clients must continue to be separated through the codes that were previously provided to the banks.
- Providing the system for digital evaluation of customers in accordance with the principles of evaluating creditworthiness and forming allocations, in addition to the additional criteria referred to in Annex No. 3. The bank obtaining a first-class mortgage or registering a guarantee with a deposit, taking into account Resolution of the Minister of Housing, Utilities and Urban Communities No. (100).) for the year 2014.
- Commitment to the unified conditions for financing low-income people listed in Appendix No. 5

5. The customer's data is registered on the electronic system for registering the initiative's customers to tighten control over the customer's purchase of only one unit with the subsidized real estate financing system, so that the information that the customer has obtained credit approval from one bank is made available to all other parties immediately, and the rest of the banks are required to refrain from that moment. About dealing with him within the framework of the initiative.

6. For the family, data related to the husband and wife is entered and this is updated after submitting documents proving the change in the marital status of the clients through the bank that granted the loan.

7. If the customer desires to sell the unit or make accelerated payment, the support amount will be refunded in the interest rate from the date of grant until the date of sale/accelerated payment according to the following:

- The difference between the subsidized interest rate and the return rate is calculated on the basis of applying a lending rate of 5% above the final lending rate for low-income people, and then returning the difference to the Central Bank according to the percentages mentioned in the attached table (attached (6))
- No accelerated payment commission applies.

8. The bank has the right to apply a delay return of a maximum of 2% above the final lending rate to the customer on the installments payable. In the event that the bank approves the customer's request to schedule the debt, pricing will be done according to the initiative's prices on the date of granting.

9. Excluding injured people and families of martyrs, including army and police personnel, relatives up to the second degree of applicants to reserve housing units in social housing projects from applying the maximum income requirement.

10. Within the framework of the initiative, Paragraph (A) of Clause Six of the foundations for evaluating the creditworthiness of clients and forming allocations, relating to the rules regulating the determination of the fair market value of real estate and commercial collateral, will be amended so that the fair value of the assets subject to mortgages is determined at least once every five years instead of three years.

11. It is possible to use the evaluation No. 18 prepared by the Ministry of Housing or the New Urban Communities Authority for the units subject to financing, or real estate evaluators included in the lists of expert houses registered with the Central Bank of Egypt. It is also possible to use real estate evaluators who were previously provided to banks as a means of reducing the cost of real estate evaluation according to According to Clause Six of the Central Bank Board of Directors' decision dated February 18, 2014.

12. Confirming what was stated in the decision of the Board of Directors of the Central Bank of Egypt dated April 4, 2006, regarding amending the basis for evaluating creditworthiness and composing allocations issued by the Board by reducing the general risk allocation for real estate loans for the purposes of acquiring or renovating housing units from 3% to 1%.

13. The Control and Supervision Sector undertakes periodic follow-up to verify the extent of the banks' compliance with the above and the quality of the portfolio within its scope, and to ensure the accuracy of the data entered into the system and those that will respond to the forms that will be provided to the banks later.

4.2 Central Bank Initiative for middle-income:

In continuation of the success of the real estate financing initiative for low-, middle- and upper-middle-income people, a new initiative has been issued under which an amount of 15 billion Egyptian pounds will be allocated for real estate financing targeting middle-income customers, in accordance with the detailed conditions and procedures described below, considering the following:

1. The necessary real estate financing is provided to customers who meet the initiative's conditions through banks or real estate financing companies at a return rate of 8% calculated on a decreasing basis 21 for a maximum period of 25 years.

2. Allowing real estate refinancing companies to participate in the initiative by refinancing the portfolios of real estate financing companies that meet the initiative's conditions.

3. The Ministry of Housing, Utilities and Urban Communities 20 compensates for the return rate difference on the basis of: credit and discount rate + 2% - 8

4. The interest rate applied to customers may not be changed after granting and throughout the loan term.

With an emphasis on full compliance with all credit granting controls issued by the Central Bank of Egypt, considering the fulfillment of all conditions, guarantees and documents that enable the bank to complete mortgage procedures before allowing the use of financing.

Detailed conditions and procedures for the middle-income real estate financing initiative

1. The return rate is applied according to the initiative and is calculated on a decreasing basis.
2. Compensation for the return rate difference covers the credit and discount rates + 2 - 8% each of the following:
 - Commission on highest debit balance.
 - Administrative expenses, returns and other commissions.
 - Appraisal, mortgage, and any other expenses (example: insurance).
 - Taxes and stamps are charged according to applicable laws.
3. Financing within the framework of the initiative includes the value of the maintenance deposit, up to a maximum of 10% of the unit price.
4. Conditions for clients benefiting from the initiative
 - To be of Egyptian nationality.
 - The customer has the right to benefit from the initiative for one residential unit only, provided that the customer does not benefit from the previous real estate financing initiative, regardless of any real estate loans that have been or will be obtained by the customer outside the framework of the initiative.
 - The maximum monthly income for an individual should be 40,000 Egyptian pounds, and 50,000 pounds for a family.
5. Terms of the unit being financed
 - It must be for the purpose of permanent housing and is not licensed for tourist housing.
 - The maximum unit value is 2.5 million pounds.
 - The unit must be fully finished and ready for occupancy.
 - The value of the advance payment paid by the customer must be 20% a minimum of the total value of the unit.
6. Full compliance with all controls for granting credit issued by the Central Bank of Egypt, considering the fulfillment of all conditions, guarantees and documents that enable the completion of mortgage procedures before allowing the use of financing, considering the following as a minimum:
 - Conducting inquiries about customers through the Egyptian Credit Inquiry Company and the Central Bank's Credit Risk Collection Department to determine the customer's history of dealings with the banking sector, in addition to ensuring that the customer will not repeatedly obtain financing within the framework of the initiative, whether current or previous.
 - Providing a system to evaluate and analyze the creditworthiness of customers.
 - Obtaining any of the guarantees stipulated in Article (2) of the Executive Regulations of the Real Estate Finance Law promulgated by Law No. 148 of 2001, including the following:
 - First-class real estate mortgage or under guarantee by deposit, considering Resolution of the Minister of Housing, Utilities and Urban Communities No. (100) of 2014

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- Temporarily waiving the allocation throughout the financing period, considering Resolution of the Minister of Housing, Utilities and Urban Communities No. (146) of 2021
 - In all cases, the financier may accept whatever other guarantees he deems appropriate, considering the controls established by the Financial Supervision Authority.
7. The customer's data is registered on the initiative's electronic system to tighten control over the customer's purchase of only one residential unit, so that the information that the customer has obtained credit approval from a bank, or a real estate financing company is available to all parties in real time, and then the rest of the banks and companies refrain from dealing with him within the framework of the initiative.
8. For the family, the husband and wife's relationship data is entered and this is updated after submitting documents proving the change in the marital status of the clients through the bank or real estate financing company.
9. When the bank or real estate finance company approves the Credit Risk Collection Department at the Central Bank of Egypt and the Egyptian Credit Bureau, the initiative's clients must be separated through the codes available on the electronic system.
10. If the customer wishes to sell the unit or pay in advance, the following shall be done:
- a. The customer shall refund the support amount in the return price, the compensation value for the difference in the return price from the date of grant until the date of sale/accelerated payment according to the percentages mentioned in Attachment 7.
 - b. The bank or real estate refinancing company returns the support amount to the central bank.
 - C. No accelerated payment commission applies.
11. The bank and the real estate finance company have the right to apply a delay return of a maximum of 2% in excess of the final lending rate to the customer on the installments payable. In the event that the customer's request to schedule the debt is approved, pricing will be done according to the initiative price.
12. In the event that the customer defaults, the support amount will be refunded using the percentages determined in the year of default mentioned in Appendix 7, provided that this is done immediately after the transfer of the unit to the financing party, in installments from the date of grant until the date of transfer, as the Central Bank must be provided at the end of each quarterly period with the value of the units. The ownership of which was devolved as a result of customer default.
13. Within the framework of the initiative, Paragraph (A) of Clause Six of the foundations for evaluating the creditworthiness of clients and forming allocations, relating to the rules regulating the determination of the fair market value of real estate and commercial collateral, will be amended so that the fair value of the assets subject to mortgages is determined at least once every five years instead of three years. .
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14. The evaluation prepared by the Ministry of Housing or the New Urban Communities Authority for the units subject to financing, or real estate evaluators included in the lists of expert houses registered with the Central Bank of Egypt, is used, taking into account what was stated in the circular dated June 12, 2014, regarding the fees of real estate evaluation experts, as a means of reducing Cost of real estate appraisal.

15. Confirming what was stated in the decision of the Board of Directors of the Central Bank of Egypt dated April 4, 2006 regarding amending the basis for evaluating credit worthiness and forming provisions by reducing the general risk provision for real estate loans for the purposes of acquiring or renovating housing units from 3 to 1%.

16. For real estate financing companies, the following should be considered:

- Signing a binding contract and protocol for dealing between banks and real estate financing companies to implement all conditions and work procedures for the initiative, especially with regard to rates and terms of lending to customers.
- Real estate financing companies demand compensation for the interest rate difference through banks. Emphasis on disbursing real estate financing companies to the developer before refinancing through companies.
- Real estate refinancing.

17. The Banking Operations Sector at the Central Bank of Egypt will be provided with the value of the required compensation during the first week of each month, starting from the month following the grant, considering that the compensation value for clients of real estate financing companies is separated by an independent claim.

18. The Control and Supervision Sector undertakes periodic follow-up to verify the extent of the banks' compliance with the above and the quality of the portfolio within its scope, and to ensure the accuracy of the data entered into the system and those that will respond to the forms that will be provided to the banks later.

4.3 Presidential initiative for real estate financing for low- and middle-income:

In light of the real estate financing initiatives issued by the Central Bank for low- and middle-income people at reduced rates of return, which resulted in the provision of suitable housing for these two categories, in addition to contributing to the advancement of the real estate sector because of its great importance in supporting the economy and driving production, which reflects positively on the national product through Operating many different industries and sectors, such as contracting, construction, and building, in addition to the positive return on the social aspect by creating job opportunities in various projects and industries, in addition to providing suitable housing according to the needs of citizens.

The Board of Directors of the Central Bank decided to issue a real estate financing initiative under which an amount of 100 billion Egyptian pounds would be allocated through banks targeting low- and middle-income customers in accordance with the executive procedures and rules stated below, and under the following conditions:

1. The necessary real estate financing is provided to customers who meet the initiative's conditions through banks or real estate financing companies at a 3% return rate calculated on a decreasing basis for a maximum period of 30 years.
2. Allowing real estate refinancing companies to participate in the initiative by refinancing the portfolios of real estate financing companies that meet the initiative's conditions.
3. The return rate difference is compensated on the basis of: credit and debit rate +3 or -3 (calculated on a decreasing basis)
4. The amount of banks' compensation for the return rate difference shall not be less than 5% in all cases.
5. The interest rate applied to customers may not be changed after granting and throughout the loan term.
6. This initiative applies to the current beneficiaries of the middle-income real estate financing initiative issued in December 2019, with a return rate of 8 (calculated on a decreasing basis), if they meet the conditions of the new initiative replaced by this decision from the date of its implementation.

7. Conditions for income groups:

Income category	Maximum monthly net income	Maximum unit price (not including maintenance deposit)	Down payment made by the customer (minimum)
Low-income people	Single person: 4.5 thousand pounds Family: 6 thousand pounds	As determined by the Social Housing and Real Estate Finance Support Fund	10% of the total unit value
Middle-income	For a single person, 10 thousand pounds	Up to 1.1 million pounds	15% of the total unit value
	Family: 14 thousand pounds	More than 1.1 million pounds and up to 1.4 million pounds	20% of the total unit value

* It is modified in accordance with what is issued by the Social Housing and Real Estate Finance Support Fund.

8. Accepting financing for self-employed professionals, with the necessity of using a digital evaluation method by giving grades to the evaluation elements, including, but not limited to: income level and its stability, reputation, age, with the possibility of relying on some additional criteria such as the presence of a consumption pattern that can be proven, along with knowing the extent of the client's regularity with it through... Electricity bill, mobile phone, landline, consumer goods installments, if any), in addition to the number of years of practicing self-employed professions, and social burdens (for example: supporting children, father and mother...) according to what will be detailed in the detailed memorandum.

9. Possibility of applying the increased installment throughout the financing period.

Executive procedures and rules

1. Clients benefiting from the initiative

- To be of Egyptian nationality.

- The family customer, including minor children, is entitled to benefit from the initiative for one residential unit only, provided that the customer does not benefit from previous real estate financing initiatives, regardless of any real estate loans obtained by the customer outside the framework of real estate financing initiatives.
- The customer's age must not exceed the pension age stipulated in the Social Security and Pensions Law promulgated by Law No. 148 of 2019 at the end of the loan's life. As for pensioners and pension beneficiaries, regardless of the customer's age, they can benefit from the initiative provided that a minimum of 40% of the unit value is paid as payment. Introduction, so that the customer's age at the end of the loan does not exceed 75 years, with the pension transferred to the financing party.
- The injured and families of martyrs, including army and police personnel, relatives up to the second degree applying to reserve housing units, are excluded from applying the maximum income requirement, for files received from the Social Housing and Real Estate Finance Support Fund.
- For customers who currently benefit from the middle-income real estate financing initiative issued in December 2019 and its amendments and who meet the conditions of the new initiative, the applicable return rate can be adjusted to 3% decreasing since the date of the customer's request, as well as modifying the loan term - according to his desire - to reach a maximum of 30 years.

Conditions of the unit being financed.

- It must be for the purpose of permanent housing and not for tourist or seasonal housing.
- The unit must be fully finished and ready for occupancy.

Financing procedures and conditions

1- Compensation for the return rate difference covers the following:

- Commission on highest debit balance.
- Other royalties and commissions.
- Appraisal, mortgage, and any other expenses (e.g., insurance, registration).
- Taxes and stamps shall be charged in accordance with applicable laws.

2- Financing includes the value of the maintenance deposit, up to a maximum of 10% of the unit price.

3- Administrative expenses are applied at a rate of 0.5% for low-income people, and 1% for middle-income people, to be paid in installments over the life of the loan at the same rate as the initiative's return.

4- Commitment to the controls for granting credit issued by the Central Bank of Egypt, considering the following as a minimum:

- Conducting an inquiry about customers through the Egyptian Credit Inquiry Company and the Central Bank's Credit Risk Collection Department to determine the history of transactions with the banking sector, in addition to ensuring that the customer will not repeatedly obtain financing within the framework of the Central Bank's real estate financing initiatives.

- Providing a system for evaluating and analyzing the creditworthiness of customers, based on the following:
- Guiding standards for developing digital customer evaluation systems
- Procedures for accepting and evaluating clients
- Obtaining any of the guarantees stipulated in Article (2) of the Executive Regulations of the Real Estate Finance Law promulgated by Law No. 148 of 2001, including the following:
- A first-class mortgage or under guarantee by deposit, taking into account the Minister of Housing, Utilities and Urban Communities' Decision No. (100) of 2014 to temporarily waive the allocation throughout the financing period, taking into account the Minister of Housing, Utilities and Urban Communities' Decision No. (146) of 2021.
- In all cases, the financier may accept whatever other guarantees he deems appropriate, considering the controls established by the Financial Supervision Authority.

5- Banks receive requests from low-income people through the Social Housing and Real Estate Finance Support Fund, whether the unit is one of the fund's units or another unit that meets the conditions.

6- And the. The customer's data is recorded on the initiative's electronic system to tighten control over the customer's purchase of only one residential unit, so that information about the customer's obtaining credit approval from a bank or a real estate financing company is available to all parties in real time, and then the rest of the banks and companies refrain from dealing with him within the framework of the initiative.

7- For the family, the husband and wife's relationship data is entered and this is updated after submitting documents proving the change in the marital status of the clients through the bank or real estate financing company.

8- When declaring the value of the loan to the credit risk collection department at the Central Bank and the Egyptian Credit Bureau, the initiative's clients must be separated through the codes available on the electronic system.

9- The evaluation prepared by the Ministry of Housing or the New Urban Communities Authority for the units subject to financing, or real estate evaluators included in the lists of expert houses registered with the Central Bank of Egypt, is used, taking into account what was stated in the circular issued on June 12, 2014, regarding the fees of real estate evaluation experts, as a means of reducing the cost. Real estate valuation.

Sale, late payment or default:

a. In the event that the customer desires to sell the unit or accelerate payment of financing, the following procedures are followed:

(1) The customer shall refund the support amount in the interest rate, the compensation value for the difference in the interest rate from the date of grant until the date of sale or accelerated payment in full during the first 7 years of the life of the loan and in accordance with the percentages mentioned in Annex 10 during the remainder of the life of the loan.

(2) The bank or real estate refinancing company shall return the support amount to the Central Bank.

(3) Expedited payment commission does not apply.

b. A delayed return of a maximum of 2% in excess of the client's final lending rate is applied to the installments due for payment that the client has not paid. In the event that the client's request to schedule the debt is approved, Pricing according to the initiative price.

c. In the event that the customer defaults, the support amount will be refunded using the percentages determined in the year of default listed in the table in Annex 10, provided that this is done immediately after the transfer of the unit to the financing party, in installments from the date of granting until the date of transfer, as the Central Bank must be provided at the end of each quarterly period. The value of the units that were deprived of ownership as a result of customer default.

To Sum up:

In 2015 CBE allocated EGP 20 billion on two tranches with 20 years maturity directed to mortgage financing for low- and middle-income housing projects in new urban communities for banks to re-lend.

The initiative aimed to achieve a structural reform of mortgage financing by providing long-term financing at low rates of return to ensure the provision of appropriate support for citizens, in accordance with the following conditions:

- Interest rates are fixed throughout the loan maturity.
- 5% 7% interest rate offered for subsidized loans where market rate is 18-20%.
- The amount needed by the banks are made available to them in exchange for treasury bills or treasury bonds renewed periodically.
- 29 lenders from public and private banks as well as MFCs where working with the CBE initiative.
- CBE initiative utilized entirely in mid-January 2019.

Followed by a New initiative initiated in 2019, whereby MOF will cover differential between subsidized interest rate and market rate to continue offering affordable conditions.

Eligibility conditions to benefit from Housing for all Egyptians program:

- Should be Egyptian citizen.
- Should be first-time home buyers.
- Should be first-time housing subsidy beneficiary.

His/her age should be between 21-50 years old.

Summary of Mortgage Finance Initiative in Social Housing Context

Date	Initiative	Allocated amount	Interest Rate		MAX monthly income for person	MAX monthly income for family	Down payment	Term (in years)	Total no. of beneficiaries	Total amount mortgage finance provided
2015: Jan 2019	Central Bank of Egypt	EGP 20 billion	Low income	5% 7%	¹ EGP 1400 ² EGP 1750	- *EGP 2500	15%: 50%	20	217,000	EGP 20 billion
Jan 2019: jun2019	SHMFF								296,000	EGP 39.5 billion
July 2019: on going	Ministry of Finance (Protocol)	EGP 66 billion								
2019: on going	Central Bank of Egypt	EGP 50 billion	Middle income	8%	EGP 40000	EGP 50000	20%	25	743	EGP 91 million
2021: on going	Central Bank of Egypt	EGP 100 billion	Low income	3%	EGP 4500	EGP 6000	10%	30	31726	EGP 5.2 billion
			Middle income		EGP 10000	EGP 14000	15%: 20%		1050	EGP 198 million
2022: on going	Ministry of Finance Initiative (Protocol Addendum of MOF Protocol of 2019)	EGP 45.5 billion	Low income	7.5%	EGP 10000	EGP 13000	20%	20	Under processing	Under processing

¹ Income rates have increased to EGP 2100 according to CBE decree of 2017.

² Income rates have increased to EGP 4200 for person and EGP 5700 for family during the lifetime of the initiative to reflect changes in citizens income, minimum wages, ...etc.

5- Conclusion & Recommendations

The Egyptian real estate sector has witnessed many changes in policies, trends, and laws by various government agencies to control it since 1990 to date (to restructure the real estate sector and maximize its role as a fundamental basis in the economy, through the use of the principles of real estate valuation, essentially the application of current market values in all transactions to State assets.)

Assessment of all state assets for re-exploitation - legalization of infringed land conditions - real estate taxes - handling of offending buildings - old rental law to ensure transparency and the non-waste of State funds, and in order to avoid abuses in the allocation of land in the period before the January 2011 revolution and the absence or activation of any constants or systems approved for the disposal of State assets, which is similar to political and economic distress.

In 2015, the CBE allocated EGP 20 billion for mortgage financing for low- and middle-income housing projects in new urban communities. The initiative aimed to reform mortgage financing by providing long-term, low-interest financing with fixed interest rates throughout the loan maturity. Banks were supplied with the necessary funds in exchange for treasury bills or bonds. 29 lenders from public and private banks and MFCs worked with the CBE initiative. The initiative was fully utilized in mid-January 2019, followed by a new initiative in 2019 to cover the differential between subsidized interest rates and market rates. Eligibility conditions include being an Egyptian citizen, a first-time home buyer, and a first-time housing subsidy beneficiary.

However, this has resulted in unprecedented increases in land and unit prices and rationing of market price booms unaccounted for ", which is a challenge for the Egyptian real estate market in particular and the economy, in general, to continue without entering into real estate bubbles that may represent unaccounted for heavy losses. Therefore, the real estate sector must be restructured as part of a gradual and systematic plan that considers the country's market and economic conditions.

The Egyptian real estate sector has undergone numerous changes since 1990 to ensure its role as a fundamental economic foundation. These changes include assessing state assets for re-exploitation, legalizing infringed land conditions, implementing real estate taxes, handling offending buildings, and implementing old rental laws. These measures aim to ensure transparency, non-waste of State funds, and avoid abuses in land allocation. However, these changes have led to unprecedented increases in land and unit prices, posing a challenge for the market and economy to avoid real estate bubbles. The real estate sector must be restructured as part of a gradual and systematic plan considering the country's market and economic conditions.

Recommendations

Based on the study's findings, the following recommendations presented to address the potential mortgage crisis in Egypt and improve the real estate market:

Restructure the Real Estate Sector for Transparency and Efficiency

Recommendation: Focus on restructuring the real estate sector to ensure transparency, prevent abuses, and avoid market distortions.

Actions:

- **Update Real Estate Regulations:** Revise existing regulations to ensure transparency in land allocation, real estate transactions, and tax collection.
- **Improve Land Registration Systems:** Modernize land registration processes to ensure clear ownership records and prevent disputes.
- **Enhance Tax Collection Mechanisms:** Strengthen real estate tax collection and use the revenues to fund housing and urban development projects.

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