

# Still Real Estate is The Best Investment of All

Based on the findings of my PhD dissertation - which is regarding the role of real estate development in enhancing the economy in Egypt - I can safely say that real estate is still promising as a mean of investment.

If we look at the big picture, we will find the world is experiencing a finan-

cial turmoil which brings to minds the tragedy of the great depression during the early 30's till the 40's of the last century.

The common factor between the two situations is that both started with the collapse of the American stock market exchange, then it swept all over the

world. However, each crisis is of different causes, and effects.

Back to the present situation, the underlying cause behind this chaos is the losses due to the huge credit facilities dedicated to mortgage loans with minimal regulations. Some banks and financial institutions went even beyond the reasonable risk level by allocating most of their investment portfolio to this cause.

Consequently, the supply in the real estate market exceeded the demand which led to the collapse of the market in the United States and many other countries.

Focusing on the Egyptian market, the situation is less profound for a set of reasons. First of which is the very conservative stand of the Central Bank of Egypt from mortgage in general. This is reflected in the strict rules and regulations of real estate mortgage practice in Egypt either for banks or for individuals.

For example, any bank is not allowed to dedicate more than 10% from the total investment portfolio to mortgage loans.

Second, most of the investors in the real estate market in Egypt are Egyptians which is not the case in other markets like Dubai for instance, most of the real estate investments there are foreigners.



Still the main feature of the Egyptian economy's status quo is stagnation. In the early days of the crisis, volumes of trade in all markets noticeably shrunk specifically, in the stock market which experienced a severe downfall, then the state of stagnation prevailed.

In my opinion, this is due to lack of information, even when people in a real need to buy a certain commodity, they are reluctant to make such a decision hoping for more price reduction.

Talking about the stock market, investors are waiting for prices to go up so they can compensate for their losses. Casual buyers and sellers are very dormant as no one can speculate what the future will look like.

Also in the real estate market, we will find that developers do not have enough information about the expected prices for raw materials, or for the final product. On the other hand, buyers are hesitant to buy as well. From a professional point of view, the Egyptian real estate market is passing through some positive changes. Starting with real estate developers; as any producer when faced with decline in sales, strategic market research is a must.

Doing so it was found that there is excess in the supply of luxurious housing while shortage in middle class and low-income housing. Consequently, the required changes will be done in the production and pricing strategies to satisfy these demands. Moreover, attractive sales techniques and sales

incentives like giveaways are now being used to attract more buyers.

Now after a quick look at the Egyptian economic portrait we will find that the available long term investment opportunities are either in stocks and bonds which is of high return and high risk as well, or bank deposits options which is not profitable given the high rate of inflation and the devaluation of the currency or in real estate.

In my opinion, real estate investment is the best option. It is safe, rarely devaluated, and even if the price decreases for any economic conditions, after a while, the market will prosper again. This is why now it is the best time for anyone who want to invest from a long term point of view, to buy now.



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