

Public Policy

24 AUGUST
2022

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Egypt: The right to housing – A distorted system and deficient policies

Omar Samir

The housing crisis in Egypt lies in the economic and social structure of the Egyptian state, the escalating phenomenon of real estate speculation, the growing corruption of localities, in terms of granting licenses and allowing installation of facilities, the geographical spread of slums and the increasing proportion of residents living there.

This paper attempts to address some aspects of the chronic Egyptian housing crisis.

There is a strange contradiction in the volume of growth in the real estate sector compared to the size of slums and the growth of population, where there is a remarkable growth in the real estate sector compared to a relatively simple growth in the population, which consequently leads to an increase in the number of unoccupied properties, with a steady increase in rents.

A recent study indicates that the Egyptian real estate sector has grown by 420% since 2001, and that only 40% of Egyptians own the homes they live in. However, the private sector, according to the study, has implemented 95% of the total real estate investments during that period¹. Meanwhile, the population did not increase by more than 22% during the same period (from 66.14 million in 2001 to 80.72 million in 2012). The Egyptian construction policy is based on attracting private investments, where these private investment companies focus only on maximizing profits, and therefore, they target construction of high-priced luxury properties.

This situation requires a need for changing this policy and focusing on building housing units that suit a large segment of society that do not have the financial ability to purchase expensive housing. Taking into mind that housing is an inherent right of the citizen, without changing this policy, this major imbalance in the housing production and distribution system would be evidence of the unfairness in

¹ Abdel Kader Ramadan, Study: 420% growth for the real estate sector in the past ten years, Aswat Masriya website, 26 August 2015. Link: <http://is.gd/6q2hTC>

the distribution of housing, given that more than 40% of Egyptians are low-income and unable even to apply for the purchase of units from the social housing projects that the state claims its support. The fact is that the government manages an extremely profitable investment in the real estate sector, which is evident from the government data published in the Statistical Yearbook 2015, issued by the Central Agency for public Mobilization and statistics (CAPMAS). The important information contained in the Statistical Yearbook 2015 can be summarized in the following table:

Table 1: Housing investments based on the real estate sector²

Sectors	Units	Investments (in EGP1,000)	Av. Cost (of all units)
Governorates (Sector)	27095	1970006	72707
Housing and Construction Corporations (Sector)	1288	276787	212412
Construction and Housing Cooperatives Authority (Sector)	1433	13234	9235
Housing & Development Bank (Sector)	506	83301	164626
Construction Authorities	110	1518625	13805682
New Cities	12068	1362022	112862
Public Sector	42500	5223975	122917
Private Sector	103283	15492450	150000
Total Public and Private Sectors	145783	20716425	142105

It is clear from the above table that the cost of medium housing units implemented by housing and development companies amounted to EGP 212,000 and sold for at least EGP 400,000, while the cost of the same level of units by the private sector is only EGP 150,000. Also, the increased reliance on

² This data is taken from the Statistical Yearbook 2015 Chapter Seven: Housing Table 4-7, Residential units and their investments in urban areas according to the sector. The researcher divided investments by number of units produced by each sector to calculate the unit cost. No data was available indicating the quality of finishing units, whether in the private sector or the public sector. [Link](#)

housing and new cities authorities in the implementation of government housing programs raised the total cost of economic housing; and then the government policies led to raising the prices of economic and medium housing units and their counterparts in the market, thus contributing to significantly raising inflation rates in the real estate sector. Also, there is an increasing trend towards direct government investment in medium housing, or the allocation of lands to the private sector for investment in above-average and luxury housing. In the meantime, governorates and the Housing and Building Cooperatives Authority have implemented the bulk of the units, whether low-cost or economical, at good prices, but unfortunately the implementation in most times is for the Ministry of Housing, and therefore becomes subject to central distribution policies that raise prices despite the very low cost compared to the levels of other than types of housing, which raises strong doubts about whether the state really subsidizes housing as a right to citizens or considers it a highly profitable speculative investment?

There is also a misdistribution of housing services among various Egyptian governorates, as Greater Cairo acquires 35% of the units within the framework of the National Housing Program, while other overcrowded governorates of Upper and Lower Egypt obtain a small percentage of those units³. Of course, the countryside is excluded from most housing projects, which has led to the exacerbation of the phenomenon of construction on agricultural lands and the deterioration of the rural environment, and the significantly poor services provided to villages.

Closed and unused housing units:

There is absence of accurate information on the issue of closed and unused housing units, as necessary for preparing a national housing plan, where estimates of the number of empty housing units are conflicting from one side to another. While the latest census conducted by the Central Agency for Mobilization and Statistics shows that there are about 7.7 million unused housing units, the Ministry of Housing's housing sector states that there are about 5.7 million, some of which belong to the government and others belong to the people, for many reasons, including the failure to deliver facilities to these units, which made these units unusable for housing. There are also other reasons,

³ The Egyptian Center for Economic and Social Rights, Housing Policy in Egypt between Continuing Past Policies and Setting Fair Policies for the Future, 2014, pp. 11-13. [Link](#)

most prominently the inability of the owners of these units to finish and prepare them for use due to lack of financial resources⁴, and the inability of many real estate owners to rent or sell them due to poor services and facilities, being located on the outskirts of cities amid lack of good public transportation for many residential communities in cities. In addition, the hoarding of these apartments, whether as a future investment or for considering that inflation in the real estate sector is the highest among all other sectors, and therefore the return on investment may be higher than others.

Policy imbalances

Development plans are supposed to take into account the demographic dimension along with the required tourism development, but most government investment activities are focusing on building roads and infrastructure that specifically serve the coastal tourist cities, which reflects an imbalance in the distribution of facilities and consequently creates an imbalance in the final outcome of the returns of these investments. The state obtains a lot of tourism revenues, but these returns are poured into the pockets of major private sector investors, including owners of hotels and tourist villages, while enjoying many exemptions. The phenomenon and pattern of urban housing, especially closed compounds, is escalating, which reflects a social conflict, as the state abandons the low-income and their housing cooperative societies, while encouraging the private sector to establish tourist villages and luxury buildings in new cities.

Gap between supply and demand:

There is a wide gap between what the housing units offered by the state in the form of giant housing projects (sometimes millions) that are only promoted during electoral marathons, and then people discover after the end of these marathons that they were just an illusion. But the question remains: Why do social housing policies not attempt to bridge the gap between supply and demand? Who do these policies target and how do they achieve their goals? Is there oversight over housing authorities?

⁴ Ahmed Hussein, Press investigation titled "Surprise.. 7.7 million unutilized housing units despite the housing crisis in Egypt.. 5.7 million apartments closed due to the failure to deliver facilities and the inability of their owners to finish them.. and 2 million owners emigrated outside Egypt.. Head of the housing sector: We seek to benefit from them." Youm7 newspaper website, on 23 February 2015. Link: <http://is.qd/eyVsOG>

Or is there a housing system at all? There is an accumulation of the housing gap that exceeds 7 million housing units while the needs of the Egyptian market are estimated at 8 million housing units, but the various Egyptian governments since the Mubarak era have only promoted huge projects that have mostly never been completed⁵. This gap can be understood in light of the phenomenon of hoarding apartments and real estate, as there are many private housing units, whether owned by individuals above their needs, or owned by companies that offer them at exaggerated prices exceeding the capacity of those who are about to marry and need modest housing.

The latest official statistic published by the Central Agency for Public Mobilization and Statistics about the number of housing units implemented in urban areas indicates the following data⁶:

Sector/Type	2009/ 2010	2010/ 2011	2011/ 2012	2012/ 2013	2013/ 2014
Public/economic	50584	66832	71696	23218	35961
Public/middle	1669	859	5579	6889	1488
Public/low cost	1358	2602	1254	466	4737
Public/luxurious	40	0	0	0	314
Total Pub. S.	53651	70293	78529	30573	42500
Private Sector	142409	114149	98188	105057	103283
Total Pub. & Priv. Ss.	196060	184442	176717	136530	145783

We can conclude from the above table that the total number of housing units produced by the public and private sectors declined from 196,060 housing units in 2009/2010 to 145,783 units in 2013/2014, which means a decline of more than 50 thousand units, amid the increase of the marriages, as many researchers link to the need for housing, where there were 953,000 marriages in 2014, according to

⁵ Abdel Hafez al-Sawi, Dimensions and Solutions to the Housing Crisis in Egypt, Al-Jazeera Net, November 30, 2013. Link: <http://is.qd/OdgpM8>

⁶ Extracted by the researcher from the data of the 2015 Statistical Yearbook, Chapter Seven: Housing, Table 2-7 Realized housing units in urban areas according to sector and level (2002/2003 - 2013/2014). Link: http://www.capmas.gov.eg/Pages/StaticPages.aspx?page_id=5034

the same agency⁷. This means that there is a housing gap estimated at more than 800,000 housing units in 2014, apart from the accumulation of gaps in previous years⁸. This gap would certainly lead to growth of an unplanned, random and informal sector that would take advantage of the gap to raise rents and exaggerate housing prices.

Also, the state's contribution to the production of these housing units by only 29% means that the private sector controls 71% of the housing market, which increases price discrepancies. Although the state confirms support for low- and middle-income people, there is a paradox that can be observed from the official figures announced for government investment in the housing sector, where the return on housing investment negates the claim of support offered for units in the framework of these projects.

However, it can be said that the government's tendency to offer middle housing units at a price of up to EGP 400,000 has significantly contributed to raising the prices of housing units offered by the private sector in recent years and created significant inflation in the formal and informal real estate market.

Although more than one major government housing project has been proposed, including the National Housing Project, which aimed to provide 500,000 housing units during six years from 2005-2011, it has not been completed yet. Rather, there is an overlap between this project and the social housing project launched in 2013, based on Decree Law 33 of 2014, with one of its articles stated

⁷ Central Agency for Public Mobilization and Statistics, Population Demography: Number of Marriages. Link: http://www.capmas.gov.eg/Pages/IndicatorsPage.aspx?page_id=6135&ind_id=1097

⁸ This gap was calculated by subtracting the number of housing units realized in 2014 from the number of marriages in 2014, with the significance of noting that these units were achieved in urban areas, while marriage cases cover the whole country, and thus it is noted that the countryside is excluded from housing plans and investments in the first place.

establishment of a fund under the name of the "Social Housing Financing Fund" to be responsible for financing, managing and building housing units for the social housing program⁹.

These projects do not solve the accumulated housing gaps, in terms of figures, in addition to the inability of the infrastructure to absorb the increasing random growth of private housing, whether by adding new floors to the old buildings, in violation of the applicable rules, or building new buildings in violation of the building regulations, which indicates a fundamental defect in the housing system in Egypt.

Conclusion

There is a fundamental flaw in the policies adopted for housing in Egypt, as the problem is not only related to encouraging investments, but rather a to a greater role for the state in determining the areas in which investment should be encouraged, in addition to a direct role for the state in public investment spending aimed at achievement of real demographic change, which is more concerned with development of the Nile Delta, Upper Egypt, and the Western Desert, by creating real new urban communities, not just residential communities without absorbing employment, education and health required in these cities.

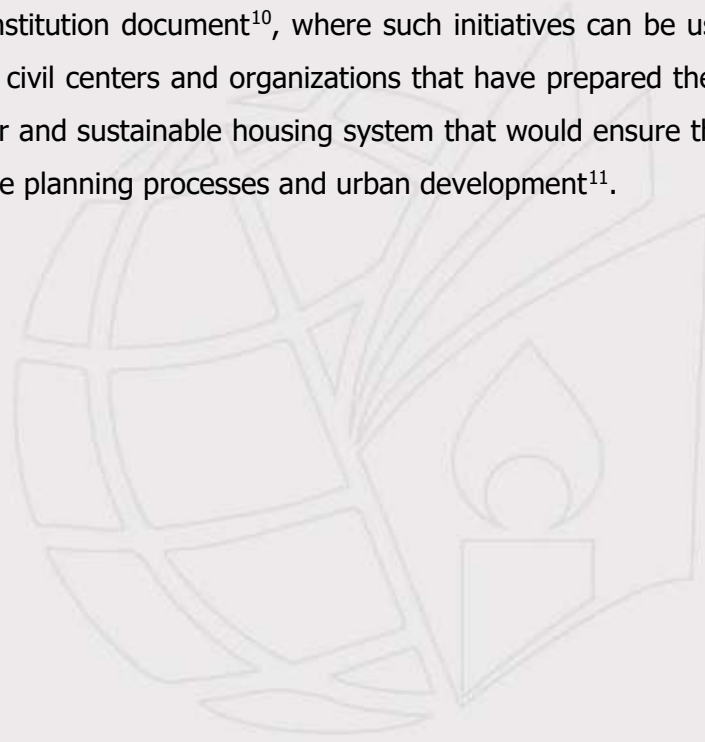
There is an urgent need in the medium and long term for a national housing system as part of a national development project, which is supposed to include accurate information on the number of housing unit applicants and the number of people who own more than one housing unit (private housing - cooperative - social). This project is also supposed to address the dilapidated real estate and with residents of cemeteries and slums, on the basis of the right to housing, not on the grounds that they represent a problem and must be confronted. This proposed project is also supposed to take into account the material conditions of all housing seekers, so that it can determine their financial capabilities and find a fair system for distributing housing units and estimating rents for different areas, while monitoring these rents, so that the rent does not exceed 25% of the citizen's income.

⁹ The National Housing Project and the National Social Housing Project, Ministry of Housing website. Link: <http://is.qd/VIEUCI>

August 24, 2022

At the immediate and urgent level, there is a need for a unified housing law that should regulate rents and ensure the state's role in setting maximum rent limits, according to regions, finishing levels and construction costs, and also linked to the income of tenants, and ensures the state's right to progressive taxes on rents and strict control over the entire real estate activity, which would provide huge financial resources and achieve fairness in contracts between tenants and real estate owners.

There have been valuable initiatives launched by the Egyptian civil society within the framework of a political and constitutional movement after the January revolution (2011), that cannot be ignored, such as the urban constitution document¹⁰, where such initiatives can be used as guidelines, and seeking help from the civil centers and organizations that have prepared the document if we really want to establish a fair and sustainable housing system that would ensure the right of Egyptians to participate and manage planning processes and urban development¹¹.



¹⁰ About the Urban Constitution Initiative, link: <https://urbanconstitution.wordpress.com/2013/10/11/uc/>

¹¹ The views expressed in this article are entirely those of the author's and do not necessarily reflect the views of the Egyptian Institute for Studies

