



EGYPT
PROPERTY MARKET
Investment Potential 2007

Full due diligence is carried out on all prospective and selected projects in whichever way is deemed appropriate. This may include extensive research and analysis, market comparisons and onsite inspections, and ensures all projects presented to investors have undergone a robust selection process. A thorough assessment is made both on the developments chosen as well as on the developer who is responsible for the construction and delivery of the projects. Due diligence in this area can include site inspections of both current projects in progress and previous work completed by developers.

Obelisk International has a policy of recommending only those projects where they are prepared to invest themselves. This investment by the company is just one of the ways Obelisk International demonstrates their commitment to the quality of their selected projects.

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EGYPT - INVESTMENT POTENTIAL 2007

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With strong long-term economic growth, decreasing inflation, and an upsurge in both demand for short-term rental accommodation and second properties, Egypt is proving that it is more than just the home of ancient culture and the Pyramids. Among the many factors joining together to make Egypt a hot prospect for the property investor is the record number of visitors that the country is attracting.

The number of tourists in Egypt almost doubled between 2001/02 to 2005/06 and Egypt's prominence in the tourist market is set to continue with progress towards a further doubling – to 16 million visitors – by 2014. Revenue from tourism has grown hand-in-hand and in the last financial year tourist income stood at \$7,235m, nearly 10% of the country's GDP. The World Trade Organisation (WTO) has projected that tourism growth will continue at a consistent rate of 6% each year.

Of the many examples of anecdotal evidence of this growth was a recent article in The Times newspaper. The German travel group TUI (before its proposed merger with First Choice Holidays) reported that its customer numbers had risen by 5.1% and specifically that: "summer bookings to Spain had declined while Greece and Egypt were up."

The successful tourist market has been assisted by the high-profile activity of the Egyptian Tourism Authority, which has included a big marketing campaign in anticipation of this year's northern winter season and, following up its success with the 'Red Sea Riviera' campaign, 'The Gift of the Sun' initiative has been launched across Asia, Europe and North America.

This initiative was backed by the Egyptian Minister for Tourism himself and was yet another sign of the pro-active stance taken by the Egyptian government in promoting tourism, along with developing the infrastructure of resorts and training the tourist workforce, which represents 12.6% of the labour force available in Egypt.

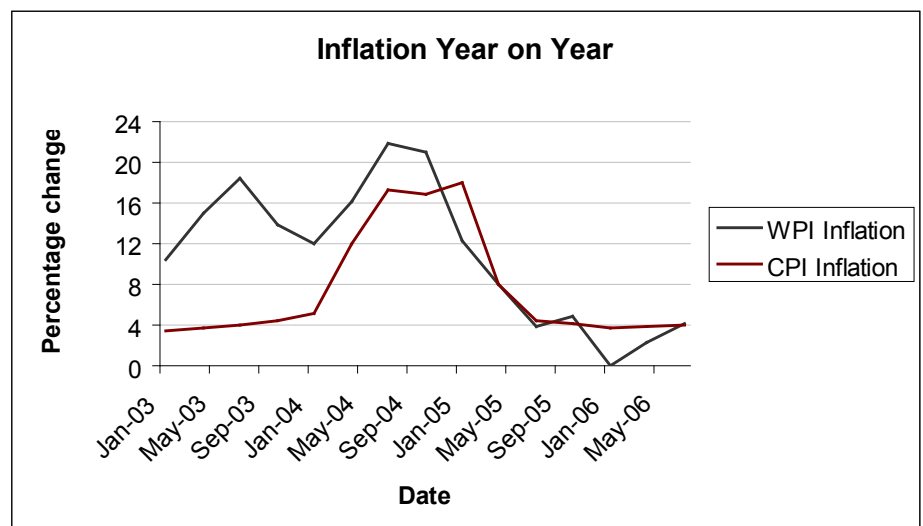
Furthermore, Egypt's Prime Minister has underlined the intention for Egypt to become an 'investment hub' for foreign investors, particularly in major infrastructure sectors. Meanwhile, at a recent 'Middle East Travel and Tourism' summit, the importance of private-public partnerships was underlined (with particular reference to Egypt) to an audience of over 400 leaders of the international tourism industry.

In the context of an exchange rate stage stabilisation and tightening of monetary policy, inflation fell dramatically to around 4% in 2005 from 18.1% in 2004, and came in under 4% the following year.

As a result of this concerted effort, the appeal of Egypt has widened away from its traditional, historical, lure as 'the land of the Sphinx' to being recognised for its varied tourist appeal. It is becoming known for city breaks in Cairo, for pursuits such as diving in its popular Red Sea resorts, and for celebrity golfing holidays at resorts like The Cascades in Soma Bay. The Cascades course was designed by golf legend Gary Player and has been ranked in the top 10 courses in the world by the readers of Golf Journal. It is located just 45 minutes from Hurghada International Airport with direct flights under 4 hours from the UK.

The Cascades course is a prime example of a modern world-class attraction, and just one of the many reasons why tourists will visit and re-visit the country. In the spirit of Egypt's modern, forward-looking tourist effort the opening of the newly refurbished Cairo international airport is set to attract yet more visitors to complement Egypt's new look 21st century tourist industry.

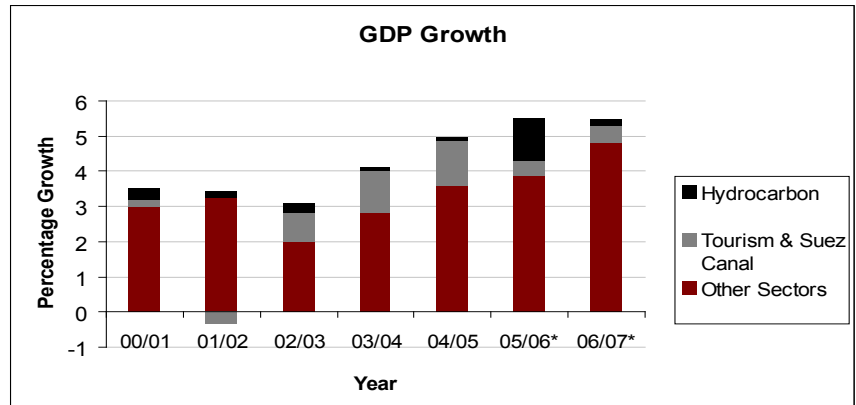
Naturally the Egyptian Government's positive action in the area of tourism has run parallel to economic reform and growth. The Egyptian economy's sustained strong performance over the twenty-year period between 1980 and 2000 was given further impetus by recent wide-reaching reforms carried out by the Government, which has enjoyed a period of continuity and stability.



Source: IMF (International Monetary Fund)

In the context of an exchange rate stage stabilisation and tightening of monetary policy, inflation fell dramatically to around 4% in 2005 from 18.1% in 2004, and came in under 4% the following year. Meanwhile the growth in GDP has nearly doubled from just over 3% in 2002/03 to over 5.5% in 2006/07. In order to maintain the current favourable conditions the government has planned growth to be sustained by at least 6-7 percent, and that total investment will need to reach about 25 percent of GDP, well above recent levels of around 18 percent of GDP.

Egypt's proximity to the European mainland and renewed tourist infrastructure mean that this market keeps on growing as holidaymakers see the potential for owning another property in an attractive, exotic location.



Source: IMF (International Monetary Fund)

The 'feel-good' factor engendered by upward economic trends and tourist numbers has inevitably had a positive knock-on effect on real estate. Investment in Egyptian property is offering great opportunities for purchasers especially at this early stage of the vibrant fledgling market. There is increasing tourist demand for short-term rental accommodation in the resort areas on both the Red Sea and Mediterranean coasts and property investors have enjoyed the best rental yields in the country from their activities here.

Meanwhile, as more overseas buyers seek holiday homes and second homes in these resort areas the second home re-sale market has started to show profit potential over and above the initial capital outlay. Egypt's proximity to the European mainland and renewed tourist infrastructure mean that this market keeps on growing as holidaymakers see the potential for owning another property in an attractive, exotic location.

The availability of infrastructure, low cost of living (therefore low costs of property management and maintenance), low prices for the investor and the introduction of mortgages for foreigners in Egypt, have all combined to make conditions more than favourable.

Aside from the resorts, the majority of real estate investment takes place in the major cities such as Cairo and Alexandria where overseas property investors are overseeing the development of luxury residential areas and consequently generating strong international interest in the market. No wonder, as these major cities are currently attracting as much as 25% annual capital growth. The demand for property on the coast and in the cities, where there is a shortage of accommodation, and the subsequent ever-widening profit margins are set to continue due to a whole range of factors and benefits. The availability of infrastructure, low cost of living (therefore low costs of property management and maintenance), low prices for the investor and the introduction of mortgages for foreigners in Egypt, have all combined to make conditions more than favourable.

Furthermore, the abolition of a bundle of red tape measures relating to tourist activity, an easy-to-follow tax system and the absence of any inheritance or capital gains tax for foreigners are added incentives to Egyptian property purchase.

With all of the factors coming together, underscored by the most stable economic conditions in years, it is hardly surprising that the increasingly popular holiday destination of Egypt has become a natural magnet for foreign real estate investment.

PURCHASE PROCESS

Below is the standard purchase process in Egypt, and issues that may affect that purchase:

- Even though many Egyptian properties are unregistered, registration is an essential pre-requisite to a purchase.
- A lawyer's service is essential when liaising with the Real Estate Registration Office to register the property and ready it for foreign purchase.
- The registration process may take up to 4 months.
- Registration is complete after inspections are made and any payment of taxes and/or fees is made.
- A holding deposit is payable once the property is decided upon; that will take it off the market and start the contract process.
- It is advisable to have a lawyer conduct searches and advise on the legality of the purchase, even if the property is brand new and being purchased from an established developer.
- Mortgage products are available in Egypt although an overseas investor may wish to consider mortgage options outside of Egypt too.
- When taking out a mortgage in Egypt the real estate must be registered at the property registry.
- You will be eligible for home finance if you fund up to 85% of the purchase price and are able to repay within 20 - 30 years.

Costs of a standard property purchase in Egypt include the following:

- Low off-plan prices, from £30k for a beachside apartment.
- Property registration and legal fees for conveyance total around 6%.
- Stamp Duty is payable on property at 3%. However, in Egypt there is no stamp duty or capital gains tax payable on real estate.
- British residents will avoid inheritance tax on any Egyptian properties passed on to relatives and partners etc.
- The buyer pays a nominal inspection and measurement fee of around 65 Euros.
- Tax on income from the property amounts to 20% to 22%, an alternative VAT.

THE OBELISK ADVANTAGE

As Obelisk International approaches its projects purely from an investment perspective, its priority is to deliver each real estate product with an emphasis on simplicity and transparency throughout the purchase process. Therefore, Obelisk International has already identified the purchase procedure for its clients as a simple, four step process:

- 1) The client chooses and reserves the unit that best suits their investment requirements, and Obelisk International takes the client through a compliance procedure.
- 2) An independent lawyer, sourced and appointed for the client by Obelisk International, will have already carried out full due diligence on the real estate product. They will issue all purchase contracts and paperwork to the client.
- 3) On receipt of this contract, the client will sign and make the first payment. The lawyer will notify the client of all further payments when required.
- 4) The appointed lawyer will also represent the client in all aspects legally required within the country of purchase, ensuring that clients of Obelisk International enjoy the benefits of simple and hassle-free real estate investment.

CONTACT OBELISK INTERNATIONAL

Find out more about how Obelisk International's team of trained professionals can help you make the most out of your investments and introduce the most exciting and cutting edge opportunities available in the real estate investment market today.

Simply call from anywhere in the world and a Consultant will be available to discuss your personal investment needs.

Whether you are an individual, smaller investor looking to start creating your real estate portfolio, or a seasoned group of investors looking for a new and cutting edge strategy in real estate investment, Obelisk International can help you realise your investment goals.

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