

Summary Notes on the Roundtable Discussion entitled:
“**Real Estate and Registration Restructuring**”

held at the Egyptian Center for Economic Studies
on Tuesday, September 19, 2017, from 10:00 AM

Speaker:

Dr. Khalid Derbala, IT Consultant

Discussants:

Eng. Tarek El-Sibaye’, Vice Chairman of the New Urban Communities Authority for Commercial and Real-Estate Affairs.

Dr. Saleh Abdel Rahman, Deputy Minister of Planning, Follow-up and Administrative Reform

Moderator:

Ahmed Abu Ali, ECES Board Member

Main Points:

- Real estate wealth in Egypt is extensive and can be one of the main sources of revenue for the country. Real estate wealth opens horizons for many economic activities, besides being a source of important information. However, Egypt still lacks a mechanism for real estate registration. The purpose of this RTD is to learn about the mechanism of real estate registration and to work towards its implementation.
- What does it mean to activate real estate wealth in economic activity?
 - To have dynamic mechanisms that would sense any movement in the real estate wealth in real time in order to provide economic indicators, which would help develop the real estate sector economically. It also means to have well-governed mechanisms to collect sovereign revenues, hence the need for a database of real estate wealth.
- What do I want to know about real estate wealth?
 - **A database (internal data axis):** What is the data content? We need to know what is meant by real estate wealth (vocabulary axis) in order to provide a clear picture of the urban structure. Also, the purpose of the real-estate unit should be known (residential, commercial, administrative, etc.) and who owns it (household/ foreigners’ acquisition of real estate property).
- Identifying urban density is an important step in the strategic planning of required services. For example, according to our calculations for the “Marj” district, assuming that each building contains 7 apartments, and each apartment houses five individuals, we find that real-estate

units in Marj total 450,000 (2.25 million people), while there are 40,000 real estate units in Heliopolis (200,000 people). Therefore, planning services such as sewage, water and security will differ between the two districts, mainly depending on the size of the urban mass and density.

- A pilot project was carried out for estimating urban density in Egypt per square kilometer. It surveyed some 41 squares, with over 5,000 buildings per kilometer, in which more than 175,000 people live. The most densely populated kilometer nationwide was in Imbaba district with 8316 buildings, i.e., about 300000 inhabitants.
- Linking the vocabulary axis with the purpose would demonstrate the cluster composition and informal activities therein. Linking the two axes provides a derived informational model that describes the existing status of the urban cluster and any abnormalities would be apparent. For example, Al-Marghani Street is classified as residential, but by linking the said axes, the size of informal business activities in the street would be apparent.
- If we link the ownership axis with that of wealth, we can specify the ownership of each urban place as well as any modification to it with each transfer of ownership. Thus, we can identify the following:
 - o **Real estate turnover rate:** how long the real estate unit (time indicator) is retained. Rapid turnover causes inflation/ boom and may lead to speculation.
 - o **The rate of ownership trading:** some people make capital gains from buying and selling real estate, but do not pay any fees on these transactions to the state; as it is an invisible activity (individual owner indicator)
- According to studies, a collapse by a certain percentage in real-estate wealth will lead to the collapse of direct economic activity by double that percentage.
- **What are the challenges facing the integration of real estate wealth in the formal economic activity?**
 - o Creating dynamic mechanisms for extracting economic indicators, which requires identifying real estate properties and uses thereof. There is no clear picture of property ownership in Egypt, because there is no single entity in the country that provides one single and legal registration of property: each compound, cooperative society and housing fund has its own records and therefore there are multiple places for property registration. All these registrations are informal, and a central point of registration is needed.
 - o Creating well-governed mechanisms to collect the state's revenues. In 2010, real estate transactions accounted for 35 percent of the federal sovereign income in the US, compared to less than 0.5 percent in Egypt. The only sovereign income that Egypt gets is the real-estate tax. Collected real-estate taxes in 2016/2017 amounted to only LE 2 billion.
 - o Types of revenue to be collected from real estate wealth: registration fees, ownership transfer fees, real estate transactions tax, etc.).
 - o To collect revenues and derive indicators need a real-estate registry.

- **Why is the real estate registry not functional until now?**
 - The idea of a real-estate registry began in Egypt in 1902. The initial project's objective was to unify the records and introduce the real-estate registration system, similar to other countries.
 - The registration mechanism of the real estate registry: a request for area survey for registration purposes takes from one and a half to two years.
 - Cadastral survey has both legal and engineering dimensions, and requires that the relevant building is fully constructed. However, it is not taken into account whether the relevant property is compliant with the urban plan of the Ministry of Housing; whether it is compliant with the regulatory requirements; and whether the building complies with security and safety requirements, or whether the utilities are completed.

- **Deficiencies in the existing real estate registry mechanism:**
 - Lack of binding force in real estate registration: The purpose of registering ownership of a property is mainly to ensure that the owner can sell and bequeath the property he/she owns. If there is an alternative method that is recognized by the state (the state recognizes informal contracts) to register the property so that it can be sold/inherited, why would people register?
 - Absence of a comprehensive vision for the real estate registration mechanism
 - Lengthy procedures, particularly the engineering procedures
 - There is no single national number for real-estate properties.
 - Restructuring real estate registration needs reforming the organizational, procedural, legislative, and informational structures.