

By the time you read this you will probably be fed up to the back teeth with all of the talk of global recession and general gloom mongering. Sure we all face challenges and a certain amount of belt tightening is never a bad thing, however, in every dark situation there is usually a glimmer of light.

If you are involved in property, whether as an Investor or an Agent, that glimmer becomes a positive beam when you consider Egypt..

Please take a minute to read it and feel free to contact us if you agree that Egypt could be the solution to your property woes.

EGYPT AND THE CREDIT CRUNCH

"We're all doomed, doomed, DOOMED, I tell you!"

Every time I turn on the news, it's all gloom and doom about the state of the economy. Every week seems to bring more news about how we're all heading towards complete financial Armageddon. I keep expecting to hear reports that the Four Horsemen of the Apocalypse are due to make a visit next Tuesday.

At first sight, this all appears to be terribly bad news for the prospects of property in Egypt. But don't go reaching for the Kool Aid quite just yet.

In the words of that complete pillock, Michael Winner, "Calm down dear." Because, when you look at the full facts, things aren't quite nearly as alarming as you might currently imagine:

1. There's No Credit Crunch Inside Egypt

The global credit crunch occurred as a result of greedy banks across the Western World falling over themselves to lend money to people offering 105% mortgages, interest free only mortgages and free sets of steak knives to anyone who wanted to buy a home of their own. The result was that any halfwit with a McJob who didn't have a clue about cashflow forecasting was getting a mortgage because he thought that he could afford it.

But when interest rates went up and the interest only periods came to an end, the retards found that they couldn't afford to keep paying their mortgages and so defaulted, flooding the market with property that the banks couldn't liquidate fast enough.

They've learned their lessons now, but it all came too late - and that's why the global economy has ended up in the big mess that it's in today.

However, this situation never happened in Egypt. Mortgages have only recently been available to Egyptians and they were introduced very cautiously compared to the frantic rush to give money away hand over fist that happened in the US and Europe. So none of the local buyers are going to be defaulting on their loans any time soon.

For foreigners, mortgages are still in the process of being made available. But again, they are on very conservative terms (60-65% LTV) compared to the financial madness that's being going on in the West over the past half decade. This means that foreign buyers in Egypt have always been cash buyers in the past and were not so reliant upon borrowing. OK, so a few purchases in Egypt were financed through re-mortgaging UK property which is not nearly so easy to arrange these days, but the vast majority of purchases in the past were made in cash.

This situation applies to Brits but ..

2. Brits Aren't The Only Buyers in Egypt

There seems to be this common notion in the UK that the World stops once you get to the English Channel. For the geographically-challenged, this is not the case as there are actually an awful lot more people in the World interested in buying overseas property than the Brits. Eastern European buyers, for example, caught the property bug after seeing massive increases in the price of their domestic markets, but prices there have peaked and so they are looking elsewhere to invest their cash. With Egypt always having been a popular tourist destination for visitors from Eastern Europe, a lot of them are now buying over here.

There are also a lot of new buyers coming into Egypt from Dubai and the Middle East as well. The property market in Dubai, which has been incredibly buoyant over the past few years, is now slowing down as supply of new property starts to exceed demand and so the cash rich Arabs are looking for somewhere else to invest in. Again, Egypt's fast rising market and close proximity to them makes the market highly attractive.

3. Tourism Is Booming And Will Continue To Do So

Egypt is one of the fastest growing tourist destinations in the world right now with visitor numbers increasing by 20% per annum, lured by the prospect of guaranteed sunshine and some of the best diving in the world just a hop, skip and a jump away from most of Europe.

Egypt is actually a destination that should actually benefit from many people starting to feel the pinch. Why? Because Egypt is cheap.

Anyone looking for winter sun (and after such a miserable summer across most of Europe this year, that's a lot of people) could very well be looking for cheaper alternatives than their usual winter breaks. Soaring fuel prices are making long-haul destinations such as the Caribbean, South East Asia, the Maldives, etc., even pricier. The other only option for guaranteed winter sun, the Canaries, continues to become a more and more expensive option because Sterling is now so weak against the Euro, leaving Egypt as the only real viable alternative for those looking for winter sun on a budget.

Occupancy across much of the Red Sea gets close to 100% at many times of the year and, even with the amount of building going on in centres like Hurghada and Sharm, it still isn't going to be enough to keep up with demand if it continues at this rate. Basic economics of supply and demand means that this means that prices will increase - bringing up rental yields along with it.

Which means that ...

4. Egyptian Property Becomes Increasingly More Attractive For Serious Investors

With all of this financial turmoil going on around us, where is an investor to put his or her money in order to secure a good return on it? Stocks and bonds have been dying on their collective arses over the past few months, property prices across much of the Western world are now in sharp decline and commodity prices are going up and down like yo-yos.

For this type of serious investor, Egyptian property is a safe haven due to the situation that I just mentioned above, whereby demand for accommodation on Egypt's Red Sea Riviera is higher than supply, leading to increased rental yields. Where else can you get 10% return on investment these days? These are the type of yields that should be available on the better developments on Egypt's Red Sea Riviera due to constantly increasing tourist numbers.

And the more investors buy, the more prices will rise and thus they will continue to see capital increases as well as income on their investment.

But it's not just hardcore investors and people looking for a holiday home that is fuelling the market for Egyptian property ...

5. More People Are Looking to Relocate Permanently to Egypt

We expats in Hurghada and Sharm are a small but happy band at the moment, but this situation is not likely to last forever (well hopefully the 'happy' bit will continue!). Moving to Egypt is still considered as a bit of a bonkers idea by the majority of people who have never visited Egypt themselves, but so was moving to Spain twenty years ago. Ten years later and everyone wanted to do it once the pioneers were already there to set up 'all the comforts from home' that they were looking for.

After adopting the Euro, Spain went from being a very cheap country to live in to one where it wasn't much cheaper than staying in the UK. People who thought that they were going to live like kings on their pensions are already starting to find that they are struggling to get by. There are already refugees from Spain starting a new life in Egypt.

And, with all of the gloom and doom and despondency in the UK (not to mention the increasingly miserable weather), the idea of relocating permanently to Egypt is an idea that more and more people are finding increasingly attractive. As was the case with Spain, the expats are going to need a variety of services tailored to their own needs and so there are plenty of opportunities for making a living here for those who aren't getting a pension yet.

So come on over and join in the fun!

Hopefully the above information will put paid to the notion that the party is over and the Egyptian property market is heading for decline in the same way that the markets across most of Europe are heading right now. Egypt's property market has all the signs of actually benefitting from the problems rather than being dragged down into the mire along with most of the Old World's property markets.

It's far from being the beginning of the end for the Egyptian property market - rather it's just the end of the beginning.

written by Nick Pendrell