

Cairo Warehouse Market Update 2023

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Economic Overview

Warehouse market overview

The industrial and warehouse real estate market in Cairo has witnessed substantial growth in recent years. This expansion can be attributed to several key factors driving demand and investment in the sector. One of the primary drivers is the booming e-commerce and logistics industry. With the surge in online retail, businesses are increasingly seeking strategically located warehouse spaces to efficiently manage their supply chains and meet customer demands.

Cairo's strategic location plays a crucial role in attracting businesses to the region. Situated at the crossroads of Africa, Asia, and Europe, the city offers an advantageous location for companies involved in cross-border trade. The Egyptian government has recognized the importance of this strategic position and has been investing in infrastructure development, including transportation

networks and industrial zones, to support the growth of the industrial and logistics sectors. Currently Cairo's total warehousing market stands at 80.1Mn sqm of land divided into 10 major warehousing nodes.

However, while the demand for industrial and warehouse spaces is on the rise, there are challenges related to supply. High-quality, modern warehouse facilities that meet international standards are limited in supply. This scarcity has led to competition among businesses seeking such spaces, which, in turn, has put upward pressure on rental rates.

Speaking of rental rates, they can vary significantly depending on various factors such as location, size, and the quality of facilities. Prime locations near major transportation hubs or highways tend to command higher rental rates, and businesses tend to carefully assess their budget and location requirements.

Moreover, it's essential for investors and businesses entering the Egyptian market to be aware of the country's regulatory environment. Navigating the legal requirements for leasing or purchasing industrial and warehouse properties requires a thorough understanding of local regulations.

In terms of the future outlook, Cairo's industrial and warehouse real estate market is expected to continue its positive trajectory. Urbanization, population growth, and the ongoing expansion of e-commerce and logistics sectors are likely to sustain demand for these spaces. As Egypt further develops its infrastructure and regulatory framework, it is expected to attract more investment in this sector.

Supply and Demand Analysis

Supply

The Cairo warehouse industry is still in its early development phases, primarily consisting of units that are typically family-owned or owned by local businesses. Many factories also tend to have their warehouses located nearby or within their manufacturing facilities. This preference is rooted in the desire of factory owners to maintain close proximity to raw material storage for efficient processing.

The majority of warehousing facilities in Cairo are concentrated on the eastern and western outskirts of the city, primarily situated within heavy industrial zones. In greater Cairo, you can find approximately ten major warehousing clusters, each varying in terms of the quality of facilities and their sizes. These clusters are: 10th of Ramadan city, 6th of October city, Abu Rawash, Alf Masnaa, Badr & Robaiky, Belbeis & Anshas, Kattameya, Nasr City free Zone, New October and Obour.

Currently there are over 80.1Mn sqm of warehousing land in greater Cairo. These are mainly dominated by unlicensed Grade C and on-premises warehousing. Grade A and B

Warehouse			Factories
Grade A	Grade B	Grade C	
6.4%	6.4%	2.6%	84.5%

Industrial distribution in Greater Cairo, Source: EMC Real Estate Research

warehousing represent only around 13% of the total Cairo stock. The top 5 developers of Grade A warehousing complexes are Polaris, ElSewedy, CPC, IDG, and AlOula who's developments amount to 18Mn sqm of warehousing land.

As for future supply, several industrial parks are expected to house Grade A supply and are due to be fully operational within the next couple of years; most notably Orascom's and Al Ahly Capital's industrial park in Abu Rawash (circa 2.3 Mn sqm) and Agility and Hassan Allam Utilities' YANMU East logistics park, a state-of-the-art logistics park just outside of New Cairo.

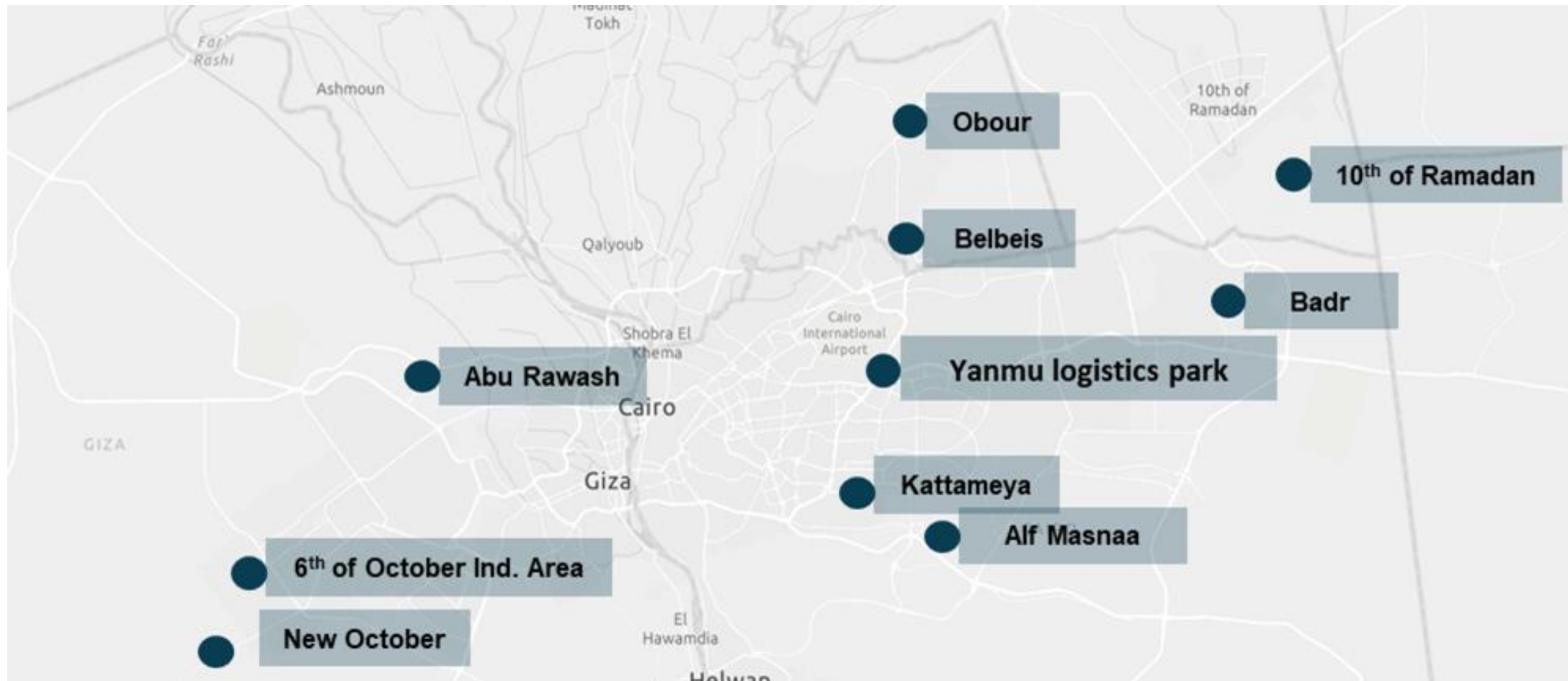
The above table provides an insight into the current

warehousing distribution in Greater Cairo.

Demand

Demand for Grade A warehousing space is still relatively modest although this has increased over the past few years and will most likely continue in the near future. This is in part due to the government's recent ban all unlicensed storage facilities. Unlicensed storage facilities still represent most of the warehousing space in Egypt. Demand is also due to increase due to the rapid expansion of the e-commerce sector that Egypt has witnessed over the past three years, mainly due to the pandemic.

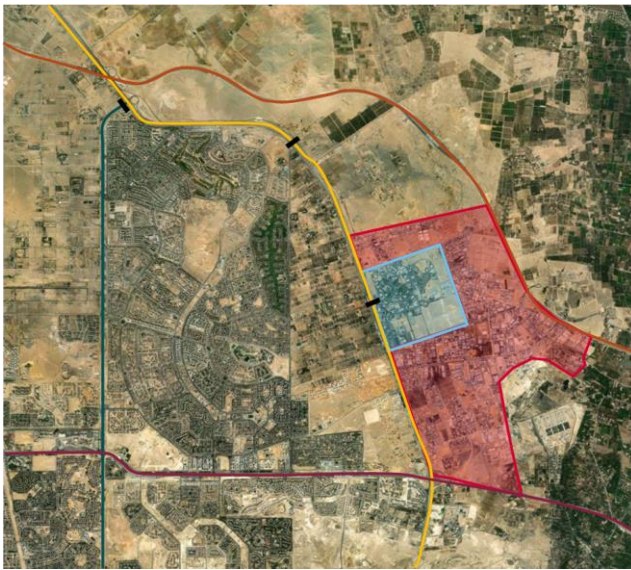
Supply and Demand Analysis



Major warehousing nodes in Cairo. Source: ArcGIS, EMC Real Estate Research

Location Analysis

Abu Rawash



- Abu Rawash Area
- Smart Village
- Toll Gate
- Rod El Farag Corridor
- Cairo – Alexandria Desert Road
- Al Dabaa Road
- 26th of July Corridor
- Waslet Dahshur Road

Abu Rawash. Source: ArcGIS, EMC Real Estate Research

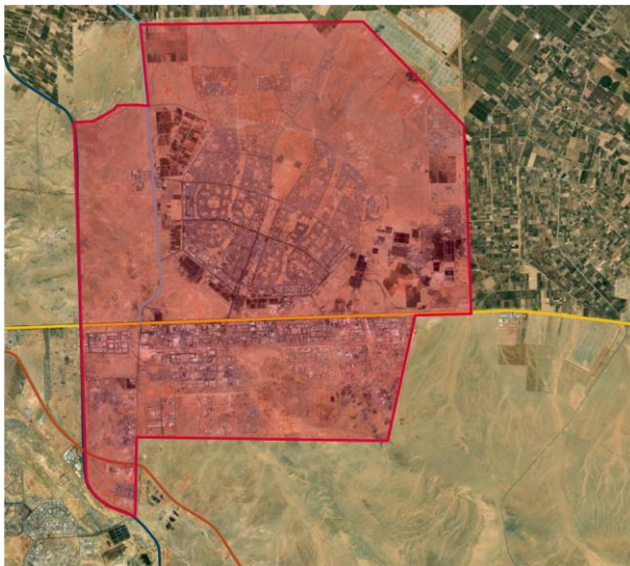
Abu Rawash is located on the northwest side of Cairo between two main roads Rod El Farag Axis & Cairo-Alexandria Desert Road which is the principal road to Egypt’s main port in Alexandria. Its strategic location lends itself perfectly to receiving shipments from Alexandria and subsequently distributing them to Cairo. Additionally, it stands to

gain from the opening of the Sphinx Airport. Currently, the available supply in this area is quite limited, leading to intense competition among e-commerce companies vying for available space. Consequently, this heightened demand has led to inflated prices.

Total Node Area Size	Total warehousing Area	Pros	Cons
21,000,000 sqm	6,000,000 sqm	<ul style="list-style-type: none"> • Proximity to Residential nodes • Can act as hub for Central Cairo • Located in proximity to important transportation nodes • Closest warehousing cluster to new Sphinx Airport 	<ul style="list-style-type: none"> • Scarcity of land, • Scarcity of Grade A warehouses, • Toll station, • Bumpy roads, • Illegal settler presence • Saturation of available land to develop

Location Analysis

10th of Ramadan



- 10th of Ramadan Industrial Area
- Belbeis – 10th of Ramadan Road
- Regional Ring Road
- Geneva Road
- Ismailia Desert Road

10th of Ramadan City. Source: ArcGIS, EMC Real Estate Research

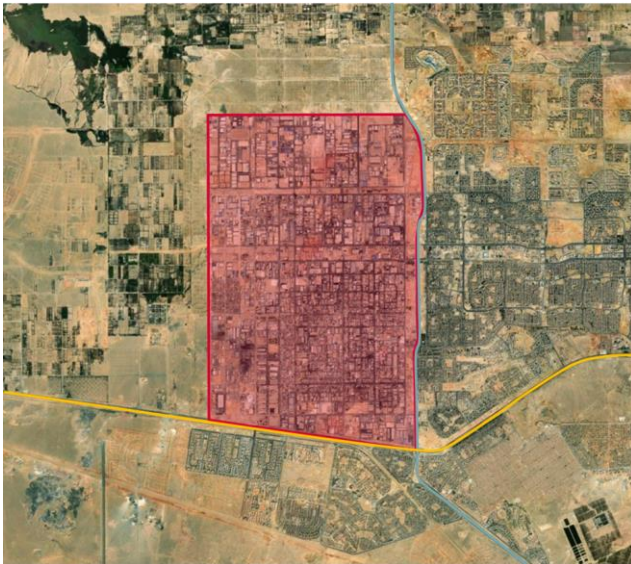
The 10th of Ramadan City is positioned in the northeastern part of Cairo, in close proximity to two significant roadways, namely the Ismailia Desert Road and Geneva Road, as well as the Cairo International Airport. Moreover, it is strategically benefiting from the city's eastward expansion in New Cairo and the New Administrative Capital. Established in 1977, the city has matured into a

well-established urban center, boasting a substantial local workforce, estimated at approximately 500,000 individuals. The city's industrial landscape is diverse, encompassing sectors such as electronics, food processing, ready-made garments, plastics, paper, textiles, building materials, steel, pharmaceuticals, and furniture.

Total Node Area Size	Total warehousing Area	Pros	Cons
337,180,000 sqm	25,500,000 sqm	<ul style="list-style-type: none"> • Complementarity of industries • Secluded from Central Cairo and its boundaries 	<ul style="list-style-type: none"> • Heavy industrial pollution • No adequate retail or prime development in the vicinity

Location Analysis

6th of October



- 6th of October Industrial Area
- Waslet Dahshur Road
- 26th of July Corridor

6th of October City. Source: ArcGIS, EMC Real Estate Research

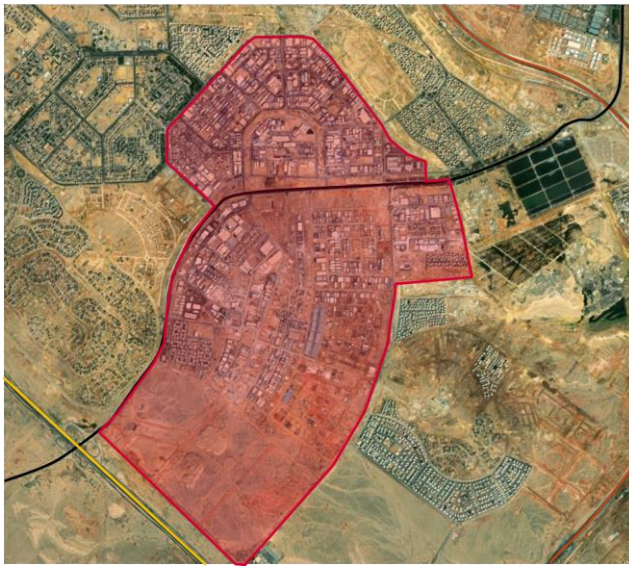
6th of October City is the primary logistics and industrial hub situated in the western part of Cairo. Established in 1978, it holds a prominent status as one of the long-standing industrial centers in Cairo, primarily catering to the western side of the city. This area has experienced substantial development over the years. More

recently, the government has introduced the adjacent New 6th October area to encourage the participation of new developers. Nevertheless, a noticeable portion of this location is displaying signs of aging, with certain internal roads falling short of acceptable standards.

Total Node Area Size	Total warehousing Area	Pros	Cons
40,540,000 sqm	34,500,000 sqm	<ul style="list-style-type: none"> • Multiple factories within the area • First operational dry port in Egypt • Proximity to residential nodes • Proximity to Middle Ring Road 	<ul style="list-style-type: none"> • Scarce availability of Grade A warehouses • Farthest Industrial area in West Cairo • Very little amenities and services • Approaching saturation of available land

Location Analysis

Badr City & Robaiky



- Badr Industrial City
- Suez Road
- 10th of Ramadan – Badr Road
- Regional Ring Road

Badr City. Source: ArcGIS, EMC Real Estate Research

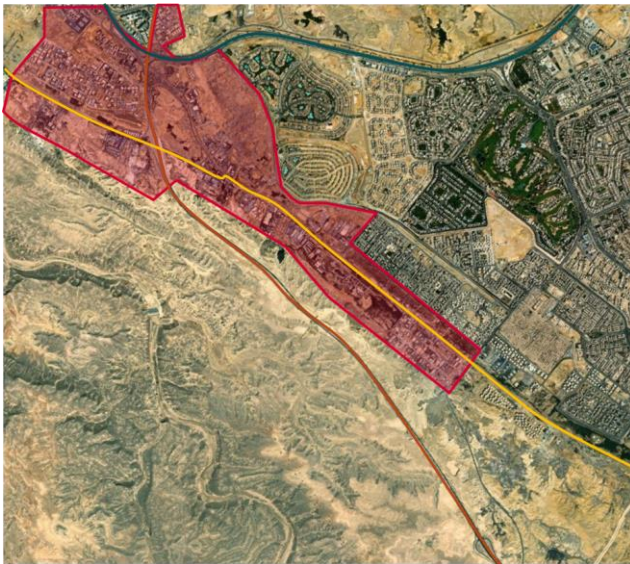
Badr City, positioned in the eastern outskirts of Cairo, is currently in the process of ongoing development. Anticipated to gain momentum, this development is attributed to Badr City's strategic

location on the main road to Suez while close to the Cairo International Airport, northeast of New Cairo and to the northwest of the New Administrative Capital.

Total Node Area Size	Total warehousing Area	Pros	Cons
14,759,000 sqm	5,400,000 sqm	<ul style="list-style-type: none"> • Close proximity to other industrial nodes 10th of Ramadan, Obour) • On main Suez Road 	<ul style="list-style-type: none"> • Access and Egress (only one main road going through the area)

Location Analysis

Kattameya



- Kattameya Industrial Area
- Old Sokhna Road
- Ring Road
- Hurghada Cairo Road

Kattameya. Source: ArcGIS, EMC Real Estate Research

Kattameya boasts a prime position in the southeastern quadrant of Cairo, situated southwest of New Cairo, nestled between the Cairo Hurghada Road (Sokhna Road) and the inner Ring Road. This strategic placement positions it to efficiently cater to two densely populated areas

within the city. Furthermore, Kattameya stands to gain from the ongoing development of the New Administrative Capital. As a relatively newly established area, there are still available plots for potential development.

Total Node Area Size	Total warehousing Area	Pros	Cons
5,820,000 sqm	630,000 sqm	<ul style="list-style-type: none"> • Ease of access to Central and East Cairo (can easily serve Maadi, Heliopolis, Nasr City and New Cairo from a single source) 	<ul style="list-style-type: none"> • Low infrastructure quality (sewage, roads, etc.) • Low amount of access routes

Location Analysis

Alf Masnaa



- Kattameya Industrial Area
- Mohamed Naguib Corridor
- Ain El Sokhna Road
- Quarries' Road (Taree' Al Mahager)
- AUC Avenue

Alf Masnaa. Source: ArcGIS, EMC Real Estate Research

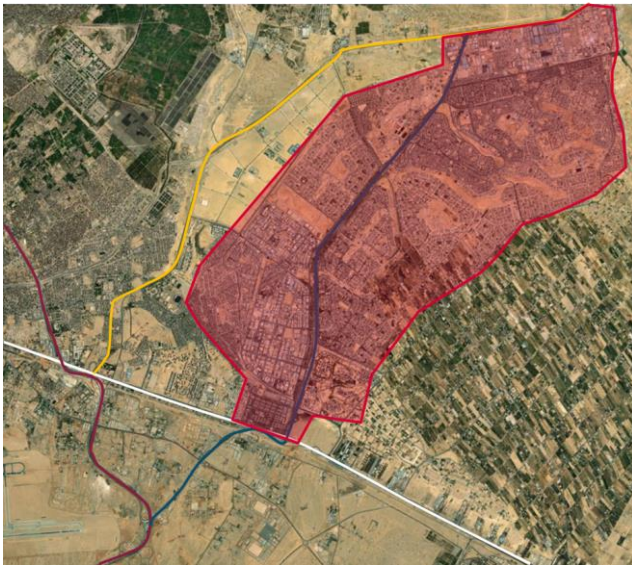
Situated to the southern extent of New Cairo, Alf Masnaa serves as the primary industrial and warehouse district for the region. While its primary focus is catering to the New Cairo market, it is also poised to reap the advantages of the ongoing development of the New Administrative

Capital. However, the availability of open land for additional expansion is scarce, leading to a notable surge in land and facility prices.

Total Node Area Size	Total warehousing Area	Pros	Cons
5,020,000 sqm	1,200,000 sqm	<ul style="list-style-type: none"> • Specialized area for logistics and industrial use • Proximity to Ain Al Sokhna • Proximity to East Cairo • Proximity to Regional Ring Road (access to West Cairo) 	<ul style="list-style-type: none"> • Scarcity of land • Small-sized plots

Location Analysis

Obour City



- Kattameya Industrial Area
- Cairo – Belbeis Road
- Ring Road
- Saad El Din El Shazly/Obour Axis
- Ismailia – Cairo Desert Road

Obour City. Source: ArcGIS, EMC Real Estate Research

Obour City is located just to the northeast of the Cairo International Airport, making it the nearest industrial hub in the northeastern part of Cairo. Positioned along the Ismailia Desert Road, it's approximately 25 kilometers away from 10th Ramadan City, situated further along the same road. Established in 1973, it holds the distinction of being one of the earliest dedicated industrial

zones in the area. More recently, a new development area has opened up on its northwestern side. Presently the city has approximately 250,000 residents and capacity for a further 250,000. It is well served by water and power networks, ensuring efficient infrastructure support.

Total Node Area Size	Total warehousing Area	Pros	Cons
52,870,000 sqm	2,000,000 sqm	<ul style="list-style-type: none"> • Proximity to Cairo International Airport • Proximity to 10th of Ramadan • Proximity to residential districts 	<ul style="list-style-type: none"> • Saturated • Old low-quality units • Mediocre and worn-out infrastructure

Rental Rates and Pricing

Pricing & Rates

Rental rates and pricing are influenced by several key factors. Firstly, size and quality of facilities impact pricing, as larger, well-maintained warehouses (Grade A) are in higher demand and thus often come at a premium, there usually is a significant price difference between each warehouse grade (A,B & C) that can reach upwards of 1 USD/sqm /month. Location also plays a crucial role, with warehouses situated near major transportation hubs or highways such as 6th of October city commanding higher rental rates (average USD 4.69 per sqm for Grade A warehouses) due to their strategic accessibility. Other areas such as Abu Rawash command similar rental rates (average USD 4.37 per sqm) due to the same aforementioned reasons as well as the

very limited supply of available land. Market demand, driven by sectors such as e-commerce and logistics, can lead to fluctuating rental rates, with high demand often inflating prices. It is important to note that while these rates are average indicative rates, some state-of-the-art facilities command rates that are much higher than these reaching up to USD 6.5/sqm/month. The below table provides indicative average rents for the principal warehouse locations in Cairo. Rents shown below are per sqm per month, exclusive of service charge.

District	Grade A	Grade B	Grade C
Abo Rawash	USD 4.37	USD 3.24	USD 2.1
6 th of October	USD 4.69	USD 3.72	USD 2.75
Alf Masnaa	USD 3.72	USD 2.91	USD 1.62
10 th of Ramadan	USD 2.27	USD 1.62	USD 1
Obour	USD 3.6	USD 2.9	USD 2.3
Kattameya	USD 3.6	USD 2.8	USD 2.1
Belbeis	N/A	N/A	USD 1.41
Badr	USD 2.83	USD 2.02	USD 1.13

Key warehousing nodes' average rental rates /sqm/month Source: *EMC Real Estate Research*

Outlook and Future Trends

The Cairo warehouse real estate market has witnessed significant growth and transformation in recent years, driven by various economic, logistical, and technological factors. The government's recent ban on all unlicensed warehouses has pushed tenants towards licensed grade A and B warehouses, driving prices up. As we look ahead, several key trends and developments are expected to shape the future.

Continued Demand Growth: Cairo's strategic location as a regional trade hub connecting Europe, Africa, and the Middle East positions it favorably for continued demand growth in the warehouse sector. The expansion of e-commerce and global supply chain networks is expected to drive an increasing need for modern warehousing facilities.

E-commerce Integration: The rise of e-commerce, accelerated by the global pandemic, has fueled the demand for efficient last-mile delivery logistics and urban fulfillment centers. Warehouses with advanced technology and automation capabilities will be in high demand to support the evolving needs of online retailers and delivery companies.

Sustainability and Green Warehousing: Environmental considerations are becoming increasingly important. More and more investors and multinational tenants are seeking eco-friendly warehouse solutions with energy-efficient designs and renewable energy sources. Government incentives and regulations aimed at promoting sustainability will likely drive the adoption of green warehouse practices.

Infrastructure Development: Cairo's warehouse market will benefit from ongoing infrastructure improvements in transportation networks and connectivity. This will further enhance the city's status as a logistics and distribution hub.

Flexibility in Space Usage: The COVID-19 pandemic has highlighted the importance of adaptability in warehouse design. Warehouses that can easily accommodate changes in space utilization to meet shifting market demands, such as cold storage facilities or overflow storage, will be sought after.

Market Diversification: As the Cairo warehouse market matures, it is likely to diversify beyond traditional storage facilities. Specialized warehouses, such as pharmaceutical storage, perishable goods storage, and data center facilities, may emerge as niche segments with unique investment opportunities.

Competitive Landscape: The warehouse market in Cairo is expected to become more competitive as more players enter the market. This could result in increased innovation and improved services for tenants and investors.

In conclusion, the Cairo warehouse real estate market is poised for growth and evolution in the coming years. The convergence of global trends, technological advancements, and infrastructure improvements presents significant opportunities for investors and developers. Those who can adapt to changing market dynamics and align their strategies with emerging trends are likely to thrive in this dynamic and promising market. However, it is essential to monitor geopolitical and economic developments to mitigate potential risks and seize opportunities as they arise.