



Real Estate Development in Egypt: An Investment Trap or a Genuine Opportunity?

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Real estate development in Egypt is neither a trap in itself nor a guaranteed opportunity in itself. The verdict depends on the identity of the developer, the soundness of the land title and permits, the strength of the contract, and the extent to which both parties comply with the law.

Real estate is among the most widespread ways Egyptians deploy their savings: individuals turn to it to preserve the value of their money, and companies turn to it to expand their business. In practice, disputes between buyers and developers recur over late delivery, departures from the agreed specifications, price increases, and stalled projects.

This article addresses the difference between the investor and the developer, the governing legal framework, the signs of a genuine opportunity as against the signs of fraud, the buyer's rights and the means of protecting them, and then the ways of resolving disputes and our recommendations to the legislature. It is addressed to anyone who is in a dispute with a real estate developer or is considering contracting with one.

1. The Difference Between the Real Estate Investor and the Real Estate Developer

The real estate developer is the one who creates the real estate product, whereas the real estate investor is the one who buys or finances it. In the disputes addressed here, the investor is usually a buyer who contracted with the developer for a unit or a plot of land for residence, letting, or resale.

Point of comparison	Real estate developer	Real estate investor
Role	Buys the land or has it allocated to it, carries out the project and sells its units	Buys a unit or land, or finances a project





Legal status	A company carrying on development activity, subject to licensing and to construction and sales obligations	An economic description with no independent legal status; may be an individual or a company
Source of profit	Sale of units after development	Rental income or the resale price differential
Main risks	Financing, licensing, construction cost and late delivery	Market volatility, poor liquidity and the developer's default
Obligations to third parties	Towards buyers and regulatory authorities	Towards the tenant or subsequent buyer only

It should be noted that the two capacities may coincide: an investor who buys land, builds on it and sells its units becomes, in practical terms, a developer, and is bound by what binds developers in terms of licences, registration and taxes.

As far as we have been able to ascertain from published sources, there is as yet no independent law in force that defines the real estate developer and regulates his enrolment in a unified register. The draft law on the Egyptian Federation of Real Estate Developers currently under discussion proposes a definition based on the area and nature of the project; we set out its provisions below as a draft not yet enacted.

2. The Philosophy of the Egyptian Real Estate Market

The Egyptian real estate market rests on an idea deeply rooted in public consciousness: real estate is a store of value and a refuge against inflation and exchange-rate volatility. This belief has kept demand high even in periods of declining purchasing power.

The prevailing practice has three features that explain many disputes:

- **Off-plan sales:** the buyer contracts for a unit not yet built, relying on the developer's promise and reputation.
- **Long-term instalment payment:** the buyer pays the price over years and so becomes the actual financier of the project, bearing risks that a buyer of a ready-made good does





not bear.

- **The State as landowner and allocator:** State bodies, foremost among them the New Urban Communities Authority, control a large share of the land, so the allocation conditions and schedules affect the developer's ability to meet his deadlines.

The result is that, in practice, risk in this market shifts from the developer to the buyer, which makes contractual safeguards and regulatory oversight more important than any marketing campaign.

3. The Laws Governing Real Estate Development in Egypt

The relationship between developer and buyer is today governed by scattered rules in several enactments rather than by a single specialised law. The most important are:

Legislation	Subject matter	Relevance in a dispute
Civil Code, Law No. 131 of 1948	The contract is the law of the contracting parties (Art. 147); rescission (Art. 157); agreed compensation or penalty clause (Arts. 223 and 224); the guarantee of the engineer and the contractor (Art. 651 et seq.); the warranty against latent defects in sales	The primary basis for claims of delivery, rescission, compensation and defects
Real Estate Registration Law No. 114 of 1946	Transfer of ownership by registration	Protects the buyer from relying on an unregistered preliminary contract alone





Unified Building Law No. 119 of 2008 and its Executive Regulations	Building permits and requirements	Validity of the permit and building violations
Law No. 17 of 2019 on Reconciliation in Certain Building Violations	Settlement of existing building violations	The fate of non-compliant units
Consumer Protection Law No. 181 of 2018	Consumer protection and the Consumer Protection Agency	Its applicability to a real estate contract is examined case by case
Arbitration Law No. 27 of 1994	Commercial arbitration	Applies where the contract contains an arbitration clause
New Urban Communities Authority Law No. 59 of 1979	Allocation of land in the new cities	The land title deed and its allocation conditions
Real Estate Disposition Tax Law No. 67 of 2016	A 2.5% tax on dispositions	The burden of sale and resale
Law No. 230 of 1996 on Foreigners' Ownership of Real Estate	Restrictions on ownership by non-Egyptians	Projects of the foreign investor





A draft law not yet enacted: A draft law is currently under discussion to establish the Egyptian Federation of Real Estate Developers. It lays down new rules for enrolment and classification, including a requirement of a separate account for each project or phase into which the proceeds of customers' contracts are paid, a ban on advertising units without prior permission, two insurance funds for contracting parties, and two public electronic registers. The draft also provides for an amicable settlement committee and specialised judicial circuits. These provisions are taken from a draft and press reports and may change before adoption; they carry no legal weight until issued and published in the Official Gazette.

4. Challenges Facing the Egyptian and the Foreign Developer

The developer, Egyptian or foreign, faces real challenges that affect his ability to perform his obligations. They must be understood because the developer often relies on them in his defence before the courts.

Challenges common to Egyptian and foreign developers

- Rising costs of building materials and labour, and exchange-rate volatility over the long execution period.
- Difficulty and high cost of financing.
- The multiplicity of the authorities granting licences and approvals, the slowness of their procedures, and delays in connecting utilities to sites.
- Changing administrative and tax decisions and rules.

Challenges specific to the foreign developer

- The restrictions imposed by Law No. 230 of 1996 on non-Egyptians' ownership of real estate.
- Transfer of profits and capital in foreign currency, and the changing monetary policy associated with it.
- The need for a local partner who understands the procedures and customs.





Their legal effect on the dispute: These challenges do not relieve the developer of his obligation under the law, but they may be considered by the judge. Force majeure (Art. 165 of the Civil Code) requires an unforeseeable event that cannot be averted, and the doctrine of exceptional circumstances (Art. 147(2) of the Civil Code) allows the judge to reduce an onerous obligation to a reasonable level where exceptional, general events that could not have been anticipated have occurred. Both are narrow gateways; the developer bears the burden of proving that their conditions are met, and a mere rise in prices is not enough.

5. The Investment Opportunity: Genuine or Deceptive

Real estate investment is a genuine opportunity when it rests on legal and technical foundations that can be verified, and a trap when it rests on promises without documents. The deciding factor is due diligence before contracting, not regret afterwards.

Item to check	Genuine opportunity	Sign of deception
Ownership of the land	A title deed or an official allocation with documented papers	Land whose documents are not produced, or an allocation that has been cancelled or is disputed
Permits	A valid building permit matching what is being marketed	Selling before obtaining a permit, or in breach of it
Developer's track record	Previous projects actually delivered and open to inspection	A newly formed company with no works, or earlier stalled projects
Site and execution	Works under way on the land at a reasonable proportion of the schedule	Intensive marketing with no actual works
Contract	Specifications, payment schedule, delivery date and balanced penalty clauses	A vague contract, generic specifications, or one that exempts the developer from every obligation





Price and return	A price close to the market and a reasonable return	An unusually high guaranteed return, or an excessive discount for immediate payment
Payment	Transfer to the company's account in its official name, against receipts	Payment in cash or to an individual's account
Registration	The contract can be registered, or an action to validate and enforce the sale (da'wa sihhat wa nafadh) can be brought	Refusal of registration, or delay in it

The facts may go beyond a breach of contract and amount to a crime, for example where a developer sells one unit to more than one buyer, or sells what he does not own and has no right to dispose of. Such conduct may fall within the offence of fraud (nasb) under Article 336 of the Penal Code, depending on the facts of each case and the evidence.

6. The State's Supervisory Role over Real Estate Development in Light of the Governing Laws, Decisions and Executive Regulations

Supervision of real estate development is not the responsibility of a single authority; it is distributed among several, each with a defined competence:

- **The Ministry of Housing and the New Urban Communities Authority:** allocating land in the new cities and monitoring the allottee's compliance with the allocation conditions and schedules.
- **District, governorate and city authorities:** issuing building permits and monitoring compliance with them under the Unified Building Law and its Executive Regulations.
- **The Real Estate Registration Authority (Shahr Aqari):** registering contracts and transferring ownership.
- **The Tax Authority:** taxes on real estate dispositions, income, and real estate tax.
- **The Consumer Protection Agency:** receiving complaints and intervening within its competence.





- **The Central Bank and the Financial Regulatory Authority:** supervising the banks and real estate finance companies operating in this sector.

The problem lies in the fact that oversight is fragmented, and that off-plan sales are not yet subject to a unified mechanism that verifies, before marketing, that the land is owned, the permit is valid and customers' funds are safeguarded.

This is what the draft law of the Egyptian Federation of Real Estate Developers attempts to address: the enrolment and classification of developers; linking the approval of subdivisions and the issuance of permits to verification of the company's enrolment; a separate account for each project from which disbursements are made only according to actual completion rates; penalties escalating from a warning to suspension of activity for up to five years; and a procedure for dealing with stalled projects. All of this remains at the draft stage.

7. The Role of Official Bodies in Facilitating or Hindering the Developer's Role

Official bodies play two overlapping roles: they facilitate the serious developer's work when they make land, utilities and clear procedures available to him, and they hinder him when authorities multiply and approvals slow down. This assessment is general, based on what developers commonly complain of and on what is published about the market, and is not a judgment on any particular body.

What facilitates the developer's role

- Offering land earmarked for developers on announced terms.
- Unifying some procedures in one-stop service centres.
- Programmes and incentives that encourage investment in particular sectors.

What hinders it

- The multiplicity of authorities whose approval is required, and at times their differing requirements.
- Slow issuance of permits or delayed connection of utilities to the site.
- Changes in the rules while the project is under way.





Its reflection on disputes: Where delivery of a unit is delayed because of an administrative delay, the developer may argue that the delay was beyond his control. The judge may examine this closely: Did the developer submit his applications on time? Was the delay caused by the administrative authority alone? This defence is accepted only on documents proving that the developer was not at fault; otherwise he remains liable for the delay. The buyer may himself request these documents during the proceedings.

8. The Real Estate Investor's Rights under the Law and the Effectiveness of These Rights

The buyer has clear rights under the law, but their practical effectiveness depends on his ability to prove them and to enforce the judgment issued in his favour.

Basic rights

- **Delivery on time and to the agreed specifications:** in accordance with the contract, which is the law of the contracting parties (Art. 147 of the Civil Code).
- **Rescission and refund of what was paid:** where the developer breaches his obligation, together with compensation for the loss suffered (Art. 157 of the Civil Code), or specific performance where possible.
- **Agreed compensation:** if the contract provides for a late-delivery penalty, the buyer may claim it, and the judge may reduce it if it is excessive (Art. 224 of the Civil Code).
- **Guarantee against defects and structural soundness:** the warranty against latent defects in the thing sold, and the contractor's and engineer's ten-year guarantee against total or partial collapse and defects that threaten the stability of the building (Art. 651 of the Civil Code).
- **Transfer of ownership by registration:** the buyer may bring an action to validate and enforce the sale contract if the seller refuses to register.
- **Protection against unfair terms:** in contracts of adhesion, the judge may modify an unfair term or relieve the adhering party of it (Art. 149 of the Civil Code).

Degree of effectiveness

The texts are adequate on the whole; the obstacles are practical:





- The length of litigation in some disputes.
- The difficulty of enforcing judgments against a financially distressed company.
- The buyer's reliance on an unregistered preliminary contract and incomplete receipts.
- The absence of a unified mechanism that safeguards customers' funds and ensures their recovery on default, which the proposed draft partly addresses.

Practical advice: Keep the contract, the terms booklet, the advertisements on the basis of which you contracted, the payment receipts and the correspondence, for they are your essential evidence, and pay only into an account in the company's name.

9. Resolving Real Estate Disputes between Investor and Developer by Amicable or by Legal and Judicial Means

Resolving a dispute begins with a review of the contract and then proceeds from amicable means to the courts; the means is chosen according to the nature of the breach, the amount involved and the terms of the contract. The usual order is:

1. **Review of the contract:** identify the arbitration clause or the court jurisdiction clause, the delivery dates, the penalty clauses and the notice mechanism.
2. **Gathering documents:** the contract, the terms booklet, the advertisements, the payment receipts and the correspondence.
3. **Formal notice:** put the developer on notice (i'dhar) through a court bailiff, demanding performance within a fixed period; notice is in principle a precondition for claiming compensation, and it fixes the date and the demand.
4. **Negotiation and amicable settlement:** may end in a fresh delivery, compensation or a financial settlement, and should be recorded in a written agreement that preserves the buyer's rights.
5. **Arbitration:** where the contract contains a valid arbitration clause, the dispute is referred to the arbitral tribunal under Arbitration Law No. 27 of 1994, and its award is binding.
6. **Civil courts:** bring the action appropriate to the relief sought: an order to deliver, rescission of the contract with refund and compensation, validation and enforcement of





the contract, or a record of the condition of the property by summary proceedings; jurisdiction varies with the value and nature of the claim.

7. **Criminal route:** where the facts indicate fraud, such as selling a unit to more than one buyer, a complaint may be filed; this does not replace the civil action to recover rights.
8. **Administrative complaint:** to the authority that allocated the land or the competent regulator; it is a means of pressure and does not replace judicial proceedings.

Mind the time limits: A claim on the guarantee against defects that threaten the stability of the building lapses three years after the collapse occurs or the defect is discovered (Art. 652 of the Civil Code). The limitation periods for other claims vary with their type, so they must be checked before taking action.

The draft of the Egyptian Federation of Real Estate Developers proposes an amicable settlement committee before resort to the courts, and specialised judicial circuits for real estate development disputes. These are proposals that have not yet come into force and may not be relied on until issued.

10. Our Recommendations to the Egyptian Legislature and Government to Reduce the Crises of Real Estate Investors and Developers

We believe that reducing disputes cannot be achieved by tougher penalties alone, but by a legislative and administrative reform that protects the buyer and empowers the serious developer at the same time. Our recommendations are:

1. **Enact a unified law regulating real estate development activity**, following a public consultation with developers, buyers and professional syndicates, defining the developer and regulating his enrolment and classification.
2. **A separate escrow account for each project**, into which customers' funds are paid and from which they are released only against actual completion rates certified by an independent consultant, with protection from attachment for debts unrelated to the project.
3. **Link advertising and sales to permits:** prohibit marketing before verification of the land's ownership or allocation and the issuance of the permit.





4. **A mandatory model contract** setting the minimum content on specifications, delivery and late-delivery penalties, and prohibiting unfair terms.
5. **Unify permit and utility procedures** with binding time limits on administrative bodies and a sanction for their delay, so that neither developer nor buyer bears the consequences of administrative delay.
6. **An updated public register of developers** showing their previous projects, their status and the disputes decided against them.
7. **Insurance for contracting parties:** establish a fund to compensate buyers when projects stall, with clear rules for contribution and disbursement.
8. **Specialised courts and faster enforcement:** specialised judicial circuits for real estate development disputes, with easier enforcement of judgments and attachment procedures.
9. **Balanced sanctions:** graduated penalties for the deliberate violator, incentives for the serious and compliant developer, and an opportunity to cure for the distressed developer acting in good faith.
10. **Public awareness:** campaigns informing buyers of their rights and of how to verify a developer before contracting.

A number of these recommendations are consistent with the draft of the Egyptian Federation of Real Estate Developers, and we support them on condition that they are implemented through clear procedures and executive regulations issued in good time.

Conclusion

Real estate development in Egypt is neither a trap nor an unconditional opportunity. It is a lawful activity offering genuine opportunities to whoever contracts with a serious developer after verifying the land, the permit, the contract and the company's record, and it becomes a trap when the decision is built on marketing promises without documents.

Should a dispute arise, the buyer is not without legal means to claim his right, from formal notice and amicable settlement to arbitration and the courts, provided that he acts early with sound documents and observes the limitation periods.





Our firm would be glad to review your contract with the developer before signing, or to assess your legal position if you have an existing dispute, and to set out the course of action suited to your case. Contact the firm to present your documents.

This article is for general awareness and does not replace legal advice in individual cases; every dispute has its own facts and documents.

References

- Details of the Real Estate Development Regulation Law in Egypt – Property Plus (Arabic)
- Draft Law of the Egyptian Federation of Real Estate Developers – Amwal Al Ghad (Arabic)

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