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The American University in Cairo

School of Global Affairs and Public Studies

**Between Accumulation and (In)Security:
The Real Estate Industry and the Housing Crisis in Egypt**

A Thesis Submitted to

The Middle East Studies Center

In Partial Fulfillment of the Requirements

For the Degree of Master of Arts

By Norhan Sherif Mokhtar Hassan

Under the supervision of Dr. Martina Rieker

December 2017

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ABSTRACT

Despite the turmoil and instability triggered by the Egyptian Revolution in 2011, the real estate market has remained relatively stable. According to the Ministry of Investment, real estate has witnessed a noticeable growth “despite political instability”¹, and government figures show that the real estate sector has become the second largest sector in receipt of public and private investments beginning from the financial year (FY) of 2010/2011, with 14% of total investments, a figure that grew by FY of 2011/2012 to reach 16.3%². For the following financial years, albeit slowing down in pace, real estate continued to be the second largest sector to receive investments³. The research investigates the pursuit of financial security through property and land ownership in Egypt, and how it serves as a paradoxical representation of Egyptians’ insecurities and fears reflecting the precarious nature of their lives, specifically through looking at how housing as a social project has become commodified through the real estate business. This thesis looks at the economic and political factors which led to the financialization of people’s lives and in turn the dismantling of housing as a social project. What thus becomes the role of the state in producing speculation as an aspiration of citizens particularly the professional middle class? I seek to explore the question of how this relates to different aspects of social and economic rights. Studying the real estate industry and the actors involved and understanding its everyday politics will allow me to understand the economy of speculation⁴ which has come to govern and shape our lives and imaginations, driving urban Cairo to become transformed into a market. Looking at the practice of “investing in housing” allows me to see the cultural manifestations of economic and political phenomenon which gave way to the financialization of people’ lives in the everyday lives of people.

¹ Ministry of Investment, (Accessed 2017)

<http://www.gafi.gov.eg/Arabic/Sectors/TargetedSectors/Pages/Real-State.aspx>

² Central Bank of Egypt, *Annual Investments by Economic Sectors*

³ Ibid

⁴ Refers to conducting a financial transaction with a significant risk of losing or an expectation of a substantial gain

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Chapter One

1.1 An Introduction

Despite the turmoil and instability triggered by the Egyptian Revolution in 2011, the real estate market has remained relatively stable. According to the Ministry of Investment, real estate has witnessed a noticeable growth “despite political instability”⁵, and government figures show that the real estate sector has become the second largest sector in receipt of public and private investments beginning from the financial year (FY) of 2010/2011, with 14% of total investments, a figure that grew by FY of 2011/2012 to reach 16.3%⁶. For the following financial years, albeit slowing down in pace, real estate continued to be the second largest sector to receive investments⁷. The Egyptian government has paraded Egypt’s new urban settlements (including New Cairo, 6th of October, Shorouk) as the transformative solution to Egypt’s urban problems. Boosting economic growth, filling the budget gap through land sales, and solving the housing crisis were the main targeted goals leading to the emergence of the new urban settlements⁸. Current President Sisi has announced the construction of Egypt’s new administrative Capital in the East of Cairo and declared it to be around the same size of Singapore⁹. Despite public opposition to the project for lacking a social and economic impact assessment, the government went ahead with the project and directed 80% of small contractors to work on the project to finish it at a record pace¹⁰. The CEO of the construction company of the project, Ahmed Zaki Abdeen, announced in a recent TV interview that the new capital project is first and foremost an investment project¹¹. The metre in the new project is currently sold at EGP 7000 to the investor

⁵ Ministry of Investment, (Accessed 2017)

<http://www.gafi.gov.eg/Arabic/Sectors/TargetedSectors/Pages/Real-State.aspx>

⁶ Central Bank of Egypt, *Annual Investments by Economic Sectors*

⁷ Ibid

⁸ “Policies of New Urban Settlements in Egypt: An Average effect and a Missing Justice”, *Tadamun* (2016)

<https://tinyurl.com/j6mh53f>

⁹ “Egypt announced the building of a new capital in the East of Cairo”, *BBC Arabic* (2015)

http://www.bbc.com/arabic/business/2015/03/150314_egypt_plan_cairo

¹⁰ “The New Administrative Capital: The Egyptian Economy in Favor of the Army”, *Al Araby Al Gadeed* (2017)

<https://tinyurl.com/y8zlnyze>

¹¹ Hona Al Assema, *CBC* (2017)

<https://www.youtube.com/watch?v=qLrSvSKBNjl>

who sells it for EGP 12000 to the citizen¹². Cairo has in turn become characterized by massive buildings, corporations and gated communities on its outskirts- some of which have been described as ghost towns due to the lack of occupants¹³. This research investigates the pursuit of financial security through property and land ownership in Egypt, and how it serves as a paradoxical representation of Egyptians' insecurities and fears reflecting the precarious nature of their lives, specifically through looking at how housing as a social project has become commodified through the real estate business.

This thesis is based on interviews and in-depth conversation with 15 respondents over three months in 2017. I attempt to unpack how the real estate industry relates to the political, specifically the absence of state care, and how Egypt's neoliberal ordering has not only transfigured the people's economic lives, but also the way they dream, aspire and negotiate their future. How does this affect different segments of the population, particularly income earners who aspire to create more monetary value that substantially exceeds what they earn through their normal day to day jobs? By examining the role played by the state in this, I have come to understand how real estate becomes equated with development in the national rhetoric, with a substantial amount of state investment currently directed towards building roads, gated communities and most recently Egypt's new administrative capital, while conversely turning a blind eye towards non-conformity and building irregularities, as well as the deterioration of public services in the existing 'old' capital. I ask: What are the kinds of conflicts which occur between the different factions of capital, for example between the state and the businessmen, considering they both compete in their operation as real estate developers? How does property purchasing inform understandings of citizenship and what are the relationships of power that produce those narratives of citizenship?

This thesis looks at how housing as a part of real estate has become commoditized, and what are the economic and political factors which led to the financialization of people's lives and in turn the dismantling of housing as a social project. I look at the practice of "investing in

¹² Fahima Ahmed, "These are the real estate prices in the New Capital", *Al Arabiya* (2017)
<https://tinyurl.com/ybtouqkr>

¹³ "Policies of New Urban Settlements in Egypt: An Average effect and a Missing Justice", *Tadamun* (2016)
<https://tinyurl.com/j6mh53f>

housing” which allows me to see the cultural manifestations of economic and political phenomenon which gave way to the financialization of people’ lives in the everyday lives of people.

1.2 Literature Review

The new urban settlements which were inaugurated by the establishment of the New Urban Communities Authority (NUCA) in 1979 were planned to accommodate the housing needs of the working poor, particularly those inhabiting informal/unplanned areas in Cairo¹⁴. Eighteen new cities were created in Egypt, including new towns such as Sadat City, the 10th of Ramadan, and satellite cities such as 6th of October. The reality however turned out to be far from the envisioned plan, as those new settlements became an attractive site for Cairo’s upper middle class, while low-income citizens, simultaneously, preferred to remain inside their urban settlements, which were geographically more suitable for their practical needs.¹⁵ In order to fulfill the proclaimed goal of those new urban settlements, the New Urban Settlement Authority¹⁶, built thousands of apartments to house the middle and working poor citizens. Nonetheless, urban activists have suggested that the intended beneficiaries were only beneficiaries ‘on paper’ and did not actually receive the promised housing units¹⁷.

With real estate promising to deliver quick, easy and guaranteed profits, many have resorted to real-estate investment as a safe haven for financial security against inflation and the devaluation of the Egyptian pound, beyond the need of merely securing housing¹⁸. Following the Egyptian revolution in 2011, the government announced looking into enforcing a land tax, which

¹⁴ Diane Singerman, *Cairo Cosmopolitan: Politics, Culture, and Urban Space in the New Globalized Middle East*. (American University in Cairo Press 2009):88

¹⁵ “Policies of New Urban Settlements in Egypt: An Average effect and a Missing Justice”, *Tadamun* (2016) <https://tinyurl.com/j6mh53f>

¹⁶ A government body created to manage the policies and affairs of the New Urban Settlements

¹⁷ Yehia Shawkat, “Policy Note: How not to support the undeserving and Discriminate Against the Poor”, *Egyptian Initiative for Personal Rights* (2014)

¹⁸ “Real Estate in Egypt, To Pay a Pound and find it 20 thousand a year later”, *SASA Post* (June 2016), <http://www.sasapost.com/houses-crisis-in-egypt/>

would end the practice of “land freezing”, which means that land speculation whereby land prices plummet with the passing of time to create enormous profits would culminate¹⁹. Such an announcement did not extend to becoming a semblance for an actual intention even though the Ministry of Finance has stated the practice of “land freezing” costs the Egyptian economy 1.8 billion dollars annually. With the private sector responsible for around 95% of real estate investments, their focus is only directed towards the most profitable projects, hence targeting the richest 20% of Egyptians- that which leaves the majority of Egyptians facing a substantial housing problem²⁰. The state however is the official land owner and is the entity which controls the price and area of the land offered to the private sector, which means that there are several factors contributing to the crisis. In 2009, the official count of informal housing stood at the housing of 20 million people²¹, and in 2013, the Minister of Housing stated that around 30% of Egypt's housing stock was left unused. Stemming out of an interest to address the housing crisis observed in Cairo vis-a-vis the millions of vacant homes and the domineering real estate sector²², this research aims to untangle the real estate industry in order to understand the discrepancy of impoverishment policies by the state that has pushed the majority of Egyptian into a lower socioeconomic income level and conversely, the heightened rate of buying up property. What thus becomes the role of the state in producing speculation as an aspiration of citizens particularly the professional middle class? I seek to explore the question of how this relates to different aspects of social and economic rights. Studying the real estate industry and the actors involved and understanding its everyday politics will allow me to understand the economy of speculation²³ which has come to govern and shape our lives and imaginations, driving urban Cairo to become transformed into a market.

¹⁹ “The Egyptian Economy loses 1.8 bn dollars annually from land speculation”, (*Al Arabiya*, July 2011), <https://www.alarabiya.net/articles/2011/07/06/156363.html>

²⁰ Shahd Essam, “After Weathering the Revolution, Egypt’s real estate sector slows”, *Mada Masr* (October 2015), <https://www.madamasr.com/en/2015/10/28/feature/economy/after-weathering-the-revolution-egypts-real-estate-sector-slows/>

²¹ Yehia Shawkat, “The Housing Policy in Egypt: Between the continuation of previous policies and placing fairer policies for the future.”, *The Egyptian Initiative for Personal Rights* (EIPR) (2014)

²² Yehia Shawkat, “The New Capital Project is a Real Estate Project” , *Mada Masr* (2015) <https://tinyurl.com/haoxdmy>

²³ Refers to conducting a financial transaction with a significant risk of losing or an expectation of a substantial gain

The total urban housing stock largely exceeds the number of urban households due to the fact that since the mid-1980s, the annual growth rate of the urban housing stock has been around double that of the urban population, that which also led to a substantial number of housing units to remain vacant. In 2005, there was an estimated 6.84 million urban households, whereas housing units in urban areas reached a figure close to 9.49 million units leaving 2.64 million units vacant or unused.²⁴ A note prepared by the World Bank analyzing Egypt's housing sector posited that in spite of huge investments estimated at EGP 26.4 billion in direct housing supply since mid-1980s, Egypt's housing crisis is "not a scarcity problem but a result of distortions to the housing market caused by an accumulation of ill-conceived and inadequate policies that led over time to creating a mismatch between supply and demands"²⁵. With an over-supply of housing to the middle and upper market segments, a huge shortage in the supply for working poor households²⁶. This consequently left the informal sector to deal with the lack of housing for lower-income citizens. The most common way of "dealing" with this condition was through the erosion of agricultural land particularly on the peri-urban sites to urban uses, where around 420,000 hectares (more than one million feddans) were estimated to have been lost to the urbanization process which ultimately accommodated populations with high densities, yet without providing basic needs or services²⁷. It is worth noting that in the early millennium, there was an estimated oversupply of 500,000 units in Greater Cairo's informal unit count, and a sample undertaken in three informal settlements indicated the presence of an oversupply of 15-20% of the total stock of informal units²⁸.

Egypt's housing supply mostly caters to high-end housing. Low and middle-income housing supply is currently limited to 150 thousand units annually, creating a deficit of 300 thousand units, according to statistics by the Housing Ministry²⁹. High-end real estate companies hold a market share of around 2000 units per year, confirming assumptions that they contribute to the rise in housing prices through deliberately offering a limited number of housing units at

²⁴ World Bank Report, "Analysis of Housing Supply Mechanisms- Final Note", 2007: vi, <file:///C:/Users/HP/Downloads/Analysis%20of%20Housing%20Supply%20Mechanisms%20in%20Egypt.pdf>

²⁵ Ibid, vii

²⁶ Ibid, 1

²⁷ Ibid

²⁸ Ibid, vii

²⁹ Ahmed Abdel Aziz, "Egypt: High-end Property ads defy the poverty line", *Huna Sawtak* (2014) <https://hunasotak.com/article/6611>

every stage forcing demand to remain higher than supply³⁰. A report by CI Capital revealed that speculative buying accounted for 25-30% of transactions according to statements by real estate CEOs. Sodic, a leading real estate development company for luxury housing has reported its strongest earning ever in 2014, with its managing director reporting the company to be “sitting on a healthy amount of cash for expansion”.³¹ Nonetheless, the government’s complete withdrawal from the housing sector, allowed for a disgruntlement which began to be expressed by a wide spectrum of Egyptians reaching the upper middle and the upper classes. Inflation in property prices in such a setting has surpassed any rises in income. According to the aforementioned report by Arqaam Capital, it is stated that “in the context of wages, we believe that residential property is now out of affordable range for the average Cairo resident, but still affordable for the mid-high income expatriate residents.”³² Arqaam’s calculation of wages, which is premised upon the assumption that the household consists of two income earning individuals, suggested that high-income households earn a monthly salary of EGP 30 k, a middle-income earns 10-16 K, while a low-income household earns EGP 9 K. Based on that calculation, Arqaam concluded that property ownership in general drains Egyptian households by 50% of their annual income, whereas a mortgage approval threshold in developed markets stands at 30% net of all household debt, indicating such a drain to be extremely high. The report concluded that “property prices should not grow much further, and certainly not due to any cost push factors such as government land auction prices”.³³ According to Numbeo, a crowd-sourced cost of living index, Cairo has a house price to income ratio of 11, making it less affordable than all Gulf cities including Dubai, which is twice as affordable as Cairo, in addition to all North American cities including New York, as well as most Western European capitals. Egypt is thus a host to one of the most unequal housing markets in the World³⁴.

³⁰ Mohamed Gad, “Analysis: Economic Reform Raises Housing Costs to Catastrophic Level”, *The Built Environment Observatory* (2017)

http://marsadomran.info/en/policy_analysis/2017/06/868/

³¹ “Egypt’s Property Market Surprisingly Resilient”, *Global Property Guide* (2015)

<https://www.globalpropertyguide.com/Middle-East/Egypt/Price-History-Archive/Egypt's-property-market-surprisingly-resilient-127359>

³² MENA Real Estate 2017 Outlook, *Arqaam Capital report*, 24

³³ *ibid*

³⁴ Yehia Shawkat, “Egypt’s Deregulated Property Market: A Crisis of Affordability”, *Middle East Institute* (2015), 2

Following the liberalization of the exchange rate of the Egyptian pound and the resulting additional burdens on households due to significant price inflations, and against austerity measures undertaken by many families, the housing market projected a strong surge in demand. However, this demand is estimated to have largely originated from Egyptians living abroad, where currency devaluation has rendered house prices more affordable to them than before, which gave for a new round of speculative buying³⁵. In the first half of 2016, Egyptians ranked second place among Arabs buying land and real estate in Dubai. A total of 710 Egyptian nationals purchased land worth a value of 1.4 billion AED³⁶. This also means that the inflation experienced by the housing market was significantly less than that experienced by other expenses such as food for example, which in turn shows the extent of the housing market irregularity where official inflation statistics were not able to capture housing costs accurately³⁷

1.3 Theoretical Framework

The literature on Cairo's housing crisis is vast. However, it has mostly tackled Egypt's housing issue using a policy and/or human rights framework, thus lacking a sociological analysis that would explain the underlying social dynamics masked by the crisis, and how this crisis was produced and is continually reproduced. My interest in looking at the housing crisis is an attempt at understanding the larger real estate framework. I look at housing because housing and homeownership has gradually taken on a new meaning in a globalized world which cannot be separated from the dynamics of a financialized real estate field and struggles over land. Marx argues that the nature of human activities has become distorted by money-based exchange that is profit-driven, where people labored to produce what could be commodified in exchange for money, as oppose to what they needed³⁸. Simmel similarly argues that money has become the sole purpose of economic activities³⁹.

³⁵ Mohamed Gad (2017)

³⁶ "Egyptians top the ranks of Arab investments in Dubai real estate", *Egypt Independent* (2016)
<http://www.egyptindependent.com//news/egyptians-top-ranks-arab-investments-dubai-real-estate>

³⁷ *ibid*

³⁸ Mary Mellor, "The future of Money: From Financial Crisis to Public Resource" (Pluto Press, 2010):19

³⁹ *Ibid*, 21

Literature on real estate from the year 2000 onwards, looked at urban production as part and parcel of the neoliberal system, what Brenner and Theodore referred to as “actually existing neo-liberalism⁴⁰”. To begin with understanding ‘real estate’, we need to first deconstruct the subject of real estate. Fernand Braudel defines economic life through three stages. The first is the stage of self-production or self-consumption, where household activities are driven by their needs. In this stage, there is no real market as everyone produces for themselves and there is no distinction between the producer and the consumer. In the field of properties, this is seen in self-construction or self-provision activities⁴¹, where it was common for people to invest time in the construction of the house or building in which they would live⁴². In the second stage, there is a distinction between the producer and consumer, where production here is driven to provide services and objects at their market value rather than to accommodate personal needs. In the real estate field, ‘professional actors’ appear in the scene, namely brokers and property developers who are driven by achieving a profit margin through the difference between the cost of production and market price⁴³. The created margin allows the developer to get paid for his work as well as create additional profit. The market is usually organized at the local level in the second stage, where most individuals or households demand accommodation in the area where they work or within a reasonable distance⁴⁴.

In the third stage, which is that of capitalism, the actors are seeking profit and are looking for a return on their capital investment which far exceeds making a profit margin. This phase is also characterized by a completely monetized system on the both the production and consumption side, where expenditure is made at a given point in order to secure future revenue.⁴⁵ The actors are ‘professional investors’ who aim to reproduce their invested capital. Here, the distinctions between the capitalist, developer and sometimes user do overlap⁴⁶. ‘Urban rent’, which is different than profit is also a characteristic of this phase. Urban rent in this case is “the

⁴⁰ Neil Brenner and Nik Theodore. “Cities and the Geographies of ‘Actually Existing Neoliberalism.’” *Antipode*, vol. 34, no. 3, 2002), 349–379:349

⁴¹ Thierry Theurillat, “The real estate markets: Players, Institutions and Territories”, *Urban Studies* (2014), 1414-1433: 1415

⁴² *Ibid*, 1419

⁴³ *ibid*

⁴⁴ *Ibid*, 1421

⁴⁵ *Ibid*, 1423

⁴⁶ *ibid*

result of the general increase in the value of the city”, where the owner of a given place would automatically receive higher rent without making any extra investments. Braudel argues this to be a social and political issue because it is not legitimate for the owner of the given place to become richer⁴⁷. Braudel divides this stage in two when it comes to the real estate field. There is the ‘real’ real estate capitalism which translates into actual physical investments, and there is the financialized real estate capitalism which appears in the form of securities that could be listed on unlisted and which are not necessarily translated into constructions⁴⁸. In the ‘real’ capitalism, investment is mainly directed at major cities and large properties, and capital comes from sources such as real estate funds, investment trusts and domestic or foreign pension funds. The 2001 economic crisis was a result of the high attractiveness of real estate with the “portfolio-led approach”, which essentially diversified and lowered the risks for financial investors, and the real estate market was wholly dominated by this purely financial approach which resulted from securitization and the emergence of real estate investment vehicles⁴⁹.

As an instrument of speculation and a tool of empire, money has come to be linked with the unequal distribution of wealth and property wherever it is found⁵⁰. In order for us to have a broader understanding of the effects of capital on urban land development, we need to engage with literature on speculation. In its pure sense, speculation describes the process of buying and selling which depends on anticipated price increase in place of actual usefulness, quality and earning of an asset⁵¹.

Scholars like David Harvey⁵² and Manuel Castells⁵³ have regarded speculation as a predatory practice and as one which is distinct from traditional development⁵⁴. The following is an excerpt on land speculation;

⁴⁷ Ibid, 1422

⁴⁸ ibid

⁴⁹ Ibid, 1424

⁵⁰ Mary Mellor, 20

⁵¹ Edward Glaeser, “A Nation of Gamblers : Real Estate Speculation And American History” (2013):42

⁵² David Harvey, “Labor, capital and class struggle around the built environment in advanced capitalist societies”, *Politics and Society*, 265–295

⁵³ Manuel Castells, “The Urban Question” (MIT Press, 1979)

⁵⁴ Ibid, 1047

Land speculation has been a source of economic dislocations and social conflict for centuries. During periods of economic growth, competition for premium locations drives their price up faster than the general rate of growth. As prices rise, more and more people see that a short-term profit can be achieved in real estate, and that drives land prices still higher. When real estate is thus treated as an investment and held out of use, excessive amounts of construction occurs on marginal sites, capital is diverted into speculation rather than production, the banking system becomes highly leveraged, and wealth becomes more concentrated⁵⁵.

Economists however argue that commodity speculation could be beneficial to the market system, where its effects potentially include increasing liquidity and improving market efficiency⁵⁶. As a unique factor of production, land could not fit this perspective, as land supply is fixed, and land sites are geographically unique, unlike other produced assets. Views which postulates land speculation to have destructive influences on urban land markers and the larger economy have significantly grown⁵⁷, yet those theoretical views have not affected the speculative boom directed towards land and housing markets and the rapid influx of nascent investors⁵⁸.

There are two types of purposive speculators who play a role in the process of accumulation by dispossession. First, there is the “active entrepreneur” who profits from land purchasing and changing property value anticipation, and second is the “structural speculator” who profits from actively intervening in government land use investment policies⁵⁹. Local strategies employed by the speculators have become connected to structuralist foundations of uneven capitalist development. The term “redlining” is used to refer to investment confined to certain urban zones. This practice is linked to the creation of urban inequalities and the practice of class-based control over the availability and value of urban land⁶⁰. Land thus becomes commodified through this practice of structural speculation⁶¹, which also makes for a pathway

⁵⁵ Editor's Introduction, *Am J Econ Sociol* (2014), 627–637.

⁵⁶ Benjamin Stanley, “Leveraging Public Land Development Initiatives for Private Gain: The Political Economy of Vacant Land Speculation in Phoenix, Arizona”, *Urban Affairs Review* (2016):563

⁵⁷ *Ibid*, 564

⁵⁸ *Ibid*, 565

⁵⁹ John Logan and Harvey Molotch, “Urban Fortunes: The Economy of Place”, *Journal of Regional Science* (2009): 30

⁶⁰ Benjamin Stanley, 565.

⁶¹ Bruce Linderman, “Anatomy of Land Speculation”, *Journal of the American Institute of Planners* (1976)

for capitalizing class-monopoly rents through creating what Harvey has dubbed “fictitious capital”⁶².

Marx argues that one the essential pillars of capital accumulation is the tendency by capital to remove temporal and spatial constraints to realize value, where the goal is to reduce the time it costs to sell and produce commodities to a minimum⁶³. In the case of land and housing and real estate investment, capital is tied up for long periods in the process of production and exchange, and thus the circulation time of capital to return to the capitalist in its enhanced form is a long one that could take months and years⁶⁴. Harvey here describes capitalism as a contradictory totality whose ‘crowning glory’ is the creation of a built environment for further accumulation⁶⁵. Capitalist development in this case needs to constantly figure out how to negotiate a path between preserving the fixed social structures which stifle profit making, and destroying them to create new investment opportunities⁶⁶. Capitalism thus drives a perpetual struggle where a physical landscape appropriate to its own conditions at a certain moment in time is built, only to have it destroyed at a later point in time⁶⁷.

Harvey links capital accumulation to the structure of urban land markets. He explains that the commodification of space is perpetuated through the flow of “productive capital” into a spatial fix for capitalist crisis, which is real-estate investment- which forces space to become a source of accumulation rather than allow place to function as a source of living⁶⁸. Harvey hypothesizes three “circuits of capital” which “dictate the nature and timing of socioeconomic investments in the urban built environment.” The following passage best explains Harvey’s hypothesis;

In the primary circuit, capitalists invest in the production of goods and services, using labor power to accumulate economic surpluses. As capitalism is a competitive, uncoordinated process, the primary circuit inevitably leads to the overproduction of commodities and the “overaccumulation” of capital, such that the opportunities for primary circuit reinvestment are inherently fewer than the capital derived as surplus value. This overaccumulation crisis drives

⁶² David Harvey, “The Urbanization of Capital: Studies in the History and Theory of Capitalist Urbanization”, (*Johns Hopkins University Press*: 1985)

⁶³ Kevin Gotham, “Creating Liquidity out of Spatial Fixity: The Secondary Circuit of Capital and the Subprime Mortgage Crisis.” *International Journal of Urban and Regional Research* (2009):356

⁶⁴ *ibid*

⁶⁵ David Harvey, “Spaces of Capital: towards a critical geography”, *Routledge, New York* (2001): 246

⁶⁶ Kevin Gotham (2009):356

⁶⁷ David Harvey (2001): 247

⁶⁸ *ibid*

investment in the secondary circuit of capital—the spatially fixed land and physical infrastructure necessary for primary circuit production. The contrast between capital mobility and spatial durability in the secondary circuit represents a central point of tension, as the capitalist “production of space” often destroys existing land uses (and use values for local residents) in the development process while embedding the validity of exchange-based valuation of property into local places.⁶⁹

The value gains incited by government power and public investment are often what determine urban land speculation⁷⁰, and looking at space manipulations allow us in turn to further deepen our understanding of the state. The process of land speculation thus becomes one whereby “individual speculators exploit asymmetries in the political power and cooperative coherence of urban regimes”⁷¹. The millions of closed apartments signal how it has become a game of land ownership and of building homes in speculation that one day they would be in demand and that citizens would have the power to purchase them. The thousands of workers who become forced to leave their factories once the factories are privatized also display how it is a game of making the most profit through using the least possible labor and selling the rest of the land particularly if the factory is in a strategic location. This speaks to Julia Elyachar’s work *Markets of Dispossession* in which she argues that accumulation by dispossession is using policies such as enforced privatization and structural adjustment programs⁷². In this scenario, wealth is accumulated in empty lands, vacant real estate properties and unemployment. Home ownership in this context is not the backyard American dream, it is the dream of accumulation. The question is how does this affect question of social inequality when dispossession and not possession is at the heart of accumulation?

Homeownership throughout the years has taken on an increasingly global prominence in politics and welfare policy⁷³, and decent housing took a new meaning which went beyond securing an “adequate physical shelter”⁷⁴. The notion of asset based welfare is no novelty, where

⁶⁹ Benjamin Stanley, (2016): 563

⁷⁰ Ibid, 565

⁷¹ Ibid, 566

⁷² Julia Elyachar, “NGOs, Business, and Social Capital.” *Markets of Dispossession* (2005), 167–190: 2005

⁷³ John Doling and Richard Ronald, “Home Ownership and Asset-based Welfare”, *Journal of Housing and the Built Environment* (2010): 167

⁷⁴ Ibid, 166

it has been increasingly linked with efforts for restructuring welfare states⁷⁵. Such a direction was driven by the conscious need of citizens to take greater responsibility for countering poverty risks through property and asset investments given that they increase in value over time, instead of relying on social transfers from the state⁷⁶. With property values and homeownership increasing across economically advanced societies, the tied up potential wealth in owner-occupied housing has been regarded as a valid way out of the fiscal challenges implicated with the maintenance of welfare communities, which led to the notion of asset-based welfare to be equated or used interchangeably with property based welfare⁷⁷. The emergence of this notion was also strongly associated with the advent of neo-liberalism and the retrenching of government welfare provision⁷⁸ and the absence of distributive programs, however there is very limited evidence to make the case for the functioning of the home ownership structure in place of public welfare spending in any way which reduces social inequality⁷⁹. On the contrary, it seems it is widening socioeconomic classes.

The takeover of the housing sector by global finance backed by the political force of homeownership ideology and by the ‘socialization of credit’ opened up a new frontier for capital accumulation⁸⁰. Homeownership in contemporary capitalism has become deeply entrenched within the relentless logic of commodification. This commodification of housing has shifted the social project of homeownership for a previous generation to a promise of “private landlordism for current generations”⁸¹. Diligent attitudes of saving up to purchase a house and participating in saving programs became common ‘middle class’ practices, who focused on gaining access to homeownership not investment⁸². While homeownership was seen a store of wealth, it was

⁷⁵ Ibid

⁷⁶ Ibid

⁷⁷ John Doling and Janet Ford, “A Union of Home Owners”, *European Journal of Housing and Planning* (2007): 113-127

⁷⁸ John Doling and Richard Ronald (2010):165

⁷⁹ Tony Fahey, Brian Nolan and Bertrand Maitre , “Housing Expenditures and Income Poverty in EU Countries”, *Journal of Social Policy* (2004): 437

⁸⁰ Raquel Rolnik, “Late Neoliberalism: The Financialization of Homeownership and Housing Rights”, *International Journal of Urban and Regional Research* (2013): 1059

⁸¹ Ray Forrest and Yosuke Hirayama, “The Financialisation of the Social Project: Embedded Liberalism, Neoliberalism and Home Ownership.” *Urban Studies* (2014):233

⁸² Ibid, 235

certainly not seen as a source of income⁸³. This transformation was fueled by the adoption of neo-liberal policy in the 1980s and 1990s. In the US, the commodification of housing was reflected in the conditions for accessing loans for home purchasing which were through privileged and protected public finance networks which were often granted preferential tax regulations⁸⁴. In the absence of supportive government policies, families of young generations would most likely need to draw on private financial reserves or take on debt in order to afford homes for their children⁸⁵. Crouch explains that the norm has now become that “instead of governments taking on debt to stimulate the economy, individuals did so”⁸⁶. In the following chapters, I seek to untangle some of the issues raised in this section.

1.4 Methodology and Limitations

This is a qualitative research in which my main method was long personal interviews. I conducted 15 in depth interviews with property consultants, home owners, citizens who invest in real estate and citizens who live in gated communities. I also visited the New Urban Communities Authority (NUCA) on numerous occasions and interviewed engineers employed by the government. I spoke with liaisons who have been selling and renting apartments for decades. I paid several visits to real estate conventions most notably City Scape Convention which showcased more than 90 real estate development companies and was visited by approximately 17 thousand participants. I contacted property consultants and investors I was acquainted with and through them the I met others. My sample was mostly upper middle-class Egyptians who actively participate in accumulation by dispossession, either by selling real estate or by investing in real estate.

⁸³ *ibid*

⁸⁴ *ibid*

⁸⁵ *Ibid*, 238

⁸⁶ Colin Crouch “Privatized Keynesianism: An unacknowledged policy regime”, *British Journal of Politics and International Relations* (2009), 382–399: 390

I have analyzed the data using the theoretical framework I have provided above, I have also used my years of experience working at the Egyptian Center for Social Economic rights to contextualize my data to current policy debates on housing and inequality in Egypt.

The main limitation of my research was population access. Initially, I wanted to talk to people living in low income housing who are affected by these policies of privatization and accumulation. However, with the worrisome climate for researchers asking questions especially pertaining to government policies on housing, I could not find a group of people who would be comfortably willing to talk to me and thus I had to resort to the familiar: my immediate circle of acquaintances mostly belonging to the upper middle classes. I had wanted to see how different people are affected by accumulation: those who accumulate and those who vacate, and I could only get the effects of accumulation from secondary sources. This research is not representative and not all encompassing, but it offers a slice of the subjective reality of many Egyptians.

1.5 Chapter Overview

In the introductory chapter, I attempt to set the context for my research in the literature review and theoretical frameworks. Through my framework, I try to deconstruct the concept of real estate using Braudel's economic market stages and Harvey's circuits of capital. I look at literature on speculation and land use and relate it with literature on homeownership and how homeownership has come to take a new meaning that views the home as a commodity and a source of wealth instead of place to live.

In the second chapter, I look at the dynamics between the state and private developers, and public perceptions of the housing crisis and who is held responsible for the unrelenting price boom. With the neo-liberal turn and the state's retracted role in housing, the state remains caught between its expected role in providing decent, adequate housing for the middle-income professionals and the working-class poor, and its own interests in profit accumulation. Thus, throughout the chapter, I look at the role of the state in the current housing crisis and more broadly in the commodification of housing through analyzing the rental laws and policies from the 1950s until the present. I look at the role of cooperatives in housing construction as well, and

how they became an attractive site for corruption. In addition to looking at rental laws, I analyze the housing policies and the political roots of speculation through providing an overview of the policies of Nasser, Sadat and Mubarak.

In the third chapter, I examine the role of banks both globally and locally in the housing crisis through their financing of real estate. Globally, banks shifted their “investment” from productive activities to new financial instruments namely the securities market to finance real estate. In Egypt, research has shown that during the liberalization of the banking sector, a certain ‘private sector elite’ was granted access to credit, that which practically highly diminished the chances for young entrepreneurs to enter the market. I then look at government efforts promote financial inclusion of Egyptian households through encouraging access to credit and reforming finance mortgaging.

In the fourth chapter, I attempt to better understand the financialization of everyday practices through looking at my respondents’ perceptions on why they invest in real estate, what role do advertisements play, their perceptions on people who buy and sell property for a living, and finally what those working in real estate have to say about the field and why they work there.

Chapter Two

2.1 The Legal and Political Frameworks of Housing Policies

In this chapter, I look at the dynamics between the state and private developers, and the public perception on the housing crisis and who is held responsible for the unrelenting price boom. With the neo-liberal turn and the state's retracted role in housing, the state remains caught between its expected role in providing decent, adequate housing for the middle-income professionals and the working-class poor, and its own interests in profit accumulation. Thus, throughout the chapter, I look at the role of the state in the current housing crisis and more broadly in the commodification of housing through analyzing the rental laws and policies from the 1950s until the present. I look at the role of cooperatives in housing construction as well, and how they became an attractive site for corruption. In addition to looking at rental laws, I analyze housing policies and the political roots of speculation through providing an overview of the policies of Nasser, Sadat and Mubarak.

2.2 Denied Justice Between the State and Private Developers

“We are the reason behind the boom in the metre's selling price for 5th settlement, we offered Porto New Cairo where the ongoing rate was 3-4 K, we offered Porto New Cairo for 13 K per metre and people were still buying, everyone followed afterwards”—*Dalia, Amer Group for Real Estate*

There are many stakeholders involved in the land and property game. The two essential players are the state and its multi-apparatuses on one hand and the real estate developers on the other. Egypt's neo-liberal turn, was naturally accompanied by the state retracting its role as a caregiver and in its welfare provisions, only to become entrenched in other ways through becoming an active player in different sectors as a way to generate profit⁸⁷. I begin this chapter by providing an overview of the current dynamics at play between state actors and private developers and the public perceptions around the

⁸⁷ Julia Elyachar, (2005):167-190

housing crisis and where responsibility lies. In the first part of the chapter, I turn to some of the interviews I have conducted which provide a quick glance of current state policies regarding housing and land management, as well as how they are perceived by people. The latter part of the chapter is more theoretical and gives an overview of Egypt's housing and land policies from the 1950s until the present.

“I used to own a villa in Mohandesin. I bought the land on the day Abdel Nasser died for 12 EGP a metre. I sold the villa in 2010 for 30k a metre, where the buyer tore it down and built a residential tower in its place. We are talking about a time span of 40 years, look at all the investments around, nothing would yield you this return on investment rate except for drugs”. – Sabbour the President of Al Ahly Co. for Real estate development

Sabbour continues that in 1974, the government bought a small share of the Semiramis Hotel land with a group of Saudi investors, and at the time the government estimated the price of the metre for 120 EGP. In 2010, he explains, the land next to Al Ahly Bank in Boulaq, which falls along the Nile as well, was sold for 28K per metre.”

Here I ask, how did such an increase in prices occur, what are the factors and who are the stakeholders involved in such an increase?

Dalia the marketer from Amer Group talks proudly and with confidence about the power of the Group in influencing the price of the land, “we know that people will buy no matter what, and the 5th settlement was destined to increase in its price”. Realizing the resilience and success of the real estate sector, and making use of it being the primary value bank for most Egyptians, Amer Group decided to effectively use the logic that its end buyers would “buy anyways”. Nonetheless, when real estate employees were asked about their take on the housing issue, none of them seemed to make a link between their policies as developers and between the unaffordability of houses and the increasing inequalities. For them the housing issue was one to the misfortune of the working poor and which was the responsibility of the state, since all of them admitted the absence of the state in providing housing for the low income households. When asked about housing for middle income clients, Adel the salesman from SODIC, who graduated from the American University in Cairo told me, “we are developing a compound for the mid-income, but it's not really mid-income, it's the for people like us, such as the

new compound of New Heliopolis which we are doing in partnership with the army, them with the lands, and us with the construction, and in the end we divide profits.”

In an interview conducted with Fouad, a worker in the New Urban Communities Authority (NUCA)⁸⁸ head office residing in Sheikh Zayed, he explicitly blames the developers for the increase in prices, where he explains that the authorities could announce a particular land price, but then a developer would buy it for a hundred times more to sell it for more. When I asked Mr. Fouad how NUCA would be affected if the real estate market fell apart or if a bubble occurred his reply was that the entirety of Egypt would be affected because of the position held by the sector in relation to the country’s economy. He goes on to say, “Around 70% of Egypt’s houses are vacant, I wish the people would stop buying and selling.” Despite Mr. Fouad blaming the developers for the increase in prices, he later on states that there is no economic housing for the people who need it, but only social housing which is higher than economic housing.

While in the public consciousness, making profit is what is expected of private developers, it is not what is expected of the state, who is still assumed to perform the role of the caregiver even though responses from respondents showed that the government is perceived to be the main entity responsible for the housing crisis. Despite seeing that the government had only given support to the rich and is the main creator and operator of the ‘housing black market’, Amina, a local NGO employee residing in Shorouk city, still believes that the government “needs to intervene”. Dalia, who works as a marketer in Amer Group similarly sees that the government needs to solve the housing crisis. She adds, “they need to construct buildings even if they look ugly but for the people to afford like the Asmarat project, Egypt is big and there are vast areas but the that it is responsible to solve the crisis, I attempt to look at how and if the government is capable of between its assumed role in providing housing and its own interests for profit making.

“There is only a sole controller in the preparation of lands for construction which is the state, thus we have a scarcity in land, hence real estate prices are increasing in a crazy manner, perhaps if

⁸⁸ *New Urban Communities Authorities*

there was competition and there were more entities exhibiting the land, we would see different prices”.

This statement from a recent interview with Sabbour and Maged Sherif the executive director of SODIC is contrary to Mr. Fouad’s statement. It indicates that there is perhaps a strategic turn in the housing and real estate game that was for years effectively controlled by real estate developers, where companies such as Al Maadi, Madinet Nasr, Al Mohandesin for development and construction had a stake in the lands through preparing them for construction and then pricing them along with the state. This is no longer the case. The government is in fact moving to be the main player in the real estate market through being the main controller of land prices, “us as developers do not have a say in the price of the metre, they tell me the price for x and there is no room for negotiation, we just buy”, adds Sabbour.

It is interesting to see here how private developers currently blame the state for the “unfair” outcome of housing projects, given how private developers are often viewed as the evil actors, who for years there were practically the state’s ‘spoiled child’ that received anything it wanted.

“We would like to address the mid-income, but with today’s government prices it is impossible for us to do so”, states Mr. Maged of SODIC. Maged’s statement here is in line with Sabbour’s statement about how the state’s sudden assumed the role of private developers by offering empty lands to developers with extremely high prices, implying that such lands are offered exclusively to high-income groups.

Historically the state would offer lands at excessively undervalued prices to developers who sell at excessively overvalued prices. The state today decided to take a bigger part in the game, where it would keep offering lands, but this time at over-market prices, leaving no chance for developers to cater to the middle or lower middle classes (if it were in their intent as they claim), yet ensuring enormous profit. When asked about social justice and catering to low and middle-income needs, employees who worked for private developers automatically pointed at the state as the perpetrator. For years, atrocities in housing rights were however committed through the intermarriage process between the state and the businessmen particularly in the real estate sector. Frustrations

expressed by CEO's of major developer companies only mean that the government is no longer willing to share the cake or is determined to get the bigger piece. Egypt's 2030 plan announced that 23000 feddans need to be auctioned annually to face the population growth, yet only 3000 feddans are auctioned annually by the government⁸⁹, which makes for a huge gap that is essentially state-driven and which becomes an essential factor in the price increase due to the undying demand.

“There was no competition over the lands in the new capital and the government sold us the land for EGP 2700 per metre, how can we address the mid-income with these prices?” asks Sabbour.

“The tap that opens is the government, yes the government provides land for those who ask for it”, interrupts Fadel, a 50 year old broker working in Cairo's downtown area, when talking about the new capital. He continues “ but the price rate for the new capital land is 4000 EGP per metre, and that's only the beginning, who benefits? The policy is the same, the faces are the same, if they want to change people's lives then they need to change their actions.”

Responses from respondents seem to suggest their mindfulness of the state's interest in profit making more than anything. Amina who lives in one of the social housing schemes sees those schemes as a money-making structure for the government. She explains, “The government makes a lot of profit off those apartments, and now they collect money from people before they begin constructing such as the ‘*tahya masr*’ project, millions of people placed down payments and they don't even know where the project is.”

Amina explains that her uncle made down payments for three different government projects, one in the city of Shorouk, one in 6th of October and a third in Obour, and they called to tell him he received an apt in 6th of October, and has to pay 5K every 3 months. She adds that for months he would go and pay without a clue on where his apartment is, “not even which neighborhood, no contract or anything, he pays and just receives a cheque through the finance mortgage department supervised by the New Settlements Urban Authority”. Amina continues that her uncle was later told that he was given an apartment in the cities of Shorouk, Obour and 6th of October, and that he needs to try with the three until he knows what he will take. “This is all money that the government is hoarding, when I bought my apartment here I was told it was

⁸⁹ Hona Al Assema (This is the Capital), *CBC* (2017)
<https://www.youtube.com/watch?v=qLrSvSKBNjl>

going to be in a certain area and I went to look for it but later on found out that it is an entirely different place, the whole process is like a lottery.”

“There is an increasing disconnect between the lived experience of home ownership and its form as a financial asset – between the ‘social project’ of home ownership, which dominated much of post war political and policy rhetoric and the neoliberal economic project”⁹⁰. Blinded by the belief in a market system that could regulate allocation of housing as a “rational” means for distributing resources, public policymaking has all together abandoned the conceptual meaning of housing as a social good⁹¹. In the neo-liberal context, access to housing meant access to wealth, “the value is the possibility of creating more value, which depends on the speed and number of transactions capable of generating value appreciation.”⁹²

The Egyptian government pinpoints property and construction as central drivers for reviving its economy. In addition, the government portrays the housing crisis as one of production, and in Egypt’s 2030 Sustainable Development Strategy, it establishes a goal of constructing 7.5 million homes over the next 15 years. Affordability of the houses was nowhere to be seen in the government’s strategy to combat the housing crisis⁹³. The Egyptian government is suggested to be the primary beneficiary and stakeholder of the real estate game given that it is the country’s largest landowner where it operates through a myriad of state-owned agencies such as the New Urban Communities Authorities (NUCA), which controls around one million feddans held for urban use⁹⁴, thus making the most profit out of land sales would remain its top interest. According to a recent report by Arqaam Capital which provides a property outlook on the MENA region, it stipulated that land auctions, not demand, are the main source of price growth, which the report regards as a government measure to fill budget gaps⁹⁵. The report continues that since 2013, land auction prices have increased by over 50%, reaching the conclusion that “any further increase would not be ‘passable’ into residential prices”⁹⁶. However, the recently advocated public-private partnerships which allows the government to take substantial shares from real estate projects means that it would remain in the government’s interest to push for

⁹⁰ Ray Forrest and Yosuke Hirayama, 233

⁹¹ Raquel Rolnik. 1059

⁹² *ibid*

⁹³ Yehia Shawkat (2015):2

⁹⁴ *ibid*

⁹⁵ Arqaam Capital report: 24

⁹⁶ *Ibid*, 23

policies that would encourage the increase in land prices. The Minister of Housing has announced that the government holds a 24% equity share in the new administrative capital project⁹⁷. The Egyptian government recently established the Social Housing Fund with the purpose of building subsidized houses. The fund is meant to receive its revenue from the New Urban Communities Authorities' budget surplus, in addition to 1% revenue gained from land sales conducted by NUCA. Amendments to the social housing law following the infamous Economic conference deleted the article stipulating the receipt of revenue from the NUCA's budget surplus with an alleged reason that it would significantly affect the state's budget. In addition, under the PPP scheme there are no sale of lands, which means that revenue that should/could have been transferred to the fund in the form of a tax enforced on land sales is essentially lost⁹⁸.

2.3 Egypt Housing and land Policies from 1950 to the present

In order to understand and properly assess the situation at hand, we need an informed understanding of the shifts in housing and land policies through the different periods of Egypt's history. I begin my overview with the 1950s, particularly after the military ascension to power in 1952. Prior to the 1950s, Egypt's housing market was to a large extent dominated by foreign capital. While urban rent fixing is commonly associated with the Nasserite era, the first rent control legislation was in fact enacted in 1947, which in effect froze the rental value at their 1941 levels in addition to placing a ban on the eviction of tenants by the owners.⁹⁹ However, in order to avoid the discouragement of building new houses, the rent control laws only applied to houses built before 1944¹⁰⁰.

⁹⁷ Yehia Shawkat (2015):2

⁹⁸ *ibid*

⁹⁹ Wael Fahmi and Keith Sutton, "Greater Cairo's Housing Crisis: Contested Spaces from Inner City Areas to New Communities", *Cities* (2008) :280

¹⁰⁰ *ibid*

2.3.1 Death of the Rental System

The years 1952-1965 were witness to the most drastic of changes in the rent control law¹⁰¹. Most literature on Egypt's housing tend to point to the visible and strong role of the Egyptian state in the housing policies as an opportunity to affirm its figure as a centralized socialist state¹⁰². This policy was also suggested to be a way of guaranteeing the loyalty of the urban sector of the local population. Housing policies during this period targeted the production of 'social housing' mainly for industrial workers where the housing built was proximate to industrial areas such as Helwan. However, this era was mostly signified by the adoption of the rent control laws (1952-1962), which continued to freeze the housing rent increase to cover new units, and reduced the rent by 25% of the housing value in 1944¹⁰³. To the detriment of the owners, the new laws gave the tenant the right to stay in the rented unit, and the right to bequest the unit to third degree relatives- which many considered an act to nationalize the housing sector in Egypt¹⁰⁴. Despite the positive impact of such an act on ensuring safe tenure for the occupant, it gradually led to a discouragement by owners to rent, and thus we begin to see a slow death of the rental system and the emergence of a system of private ownership. Another consequence was also the regression of the maintenance of the rented properties, as well as the fast deterioration of the housing 'balance'. One of the long-term effects of these policies was the discouragement of private owners to maintain their housing stock due to inadequate rent revenue¹⁰⁵. In addition, the rental housing market witnessed the withdrawal of the private sector, which led ultimately to a deficit in the housing stock for the lower-income groups¹⁰⁶. In 1954, subsidized prototypical public housing projects were provided by the government to low-income groups in the cities' outskirts, which were built with the aid of public housing development companies such as The Bank for Development and Popular Housing, which was established at the time to serve that purpose¹⁰⁷. Arguably, this encouraged rural-urban migration, while ambiguous maintenance responsibilities contributed to rapid housing deterioration, and a one size fits all design that was

¹⁰¹ *ibid*

¹⁰² *ibid*

¹⁰³ Wael Fahmi, Keith Sutton, *Cities* (2008) :280

¹⁰⁴ "Analysis of Housing Supply Mechanisms", *The World Bank*, Sustainable Development Department Middle East and North Africa (2007):5

¹⁰⁵ *ibid*

¹⁰⁶ *ibid*

¹⁰⁷ *ibid*

not compatible with the family size or needs leading to increased densification and poorer living conditions¹⁰⁸. With the issuance of the local governance law, this role was later transferred to the local councils/authorities¹⁰⁹. In line with the government's policy to nationalize privately owned companies, private construction and housing development such as Maadi and Heliopolis were nationalized, which allowed for an apparent housing construction expansion in new suburbs such as Maadi and Madinet Nasr.

In 1956, with the aim of shifting capital investments from housing to industrial development, annual investments in housing were limited to 30 million EGP, and a 30,000 EGP ceiling was imposed as an annual contract to any private company¹¹⁰. Such an act was associated with the inception of informal settlements due to major reduction in housing construction costs alongside the rapidly growing population¹¹¹.

The last of the rent control laws in 1965 effectively forced people to abstain from official building, where it stipulated that any individual was allowed to build, but it was up to the state to decide the rental value¹¹², while the law placed more emphasis on rent control, it reduced the rental value of houses constructed after 1944 by 20%¹¹³. The shortage of buildings pushed the Ministry of Housing to start building huge prototypical housing blocks, most famously in the area of Madinet Nasr in order to rent them out. When the Minister of Housing was denied additional money the year after due to insufficient budget allocation, the Ministry began to sell the units it had built, which suggests that the onset of property selling was led primarily by the state, signaling further the end of the rental system¹¹⁴. With a looming state of war, constructed public housing were less than one third of the previous decade's.¹¹⁵ After the 1967 war, the remaining limited financial resources were directed towards the military, which meant that public investment in housing and infrastructure were further reduced, which augmented for the proliferation of informal settlements. The state constructed emergency

¹⁰⁸ *ibid*

¹⁰⁹ *ibid*

¹¹⁰ *ibid*

¹¹¹ *ibid*

¹¹² Hona Al Assema, *CBC* (2017)

¹¹³ Wael Fahmi and Keith Sutton, 280

¹¹⁴ *ibid*

¹¹⁵ *ibid*

housing to accommodate cases affected by earthquakes and temporary demolition of houses, in addition to subsidizing construction material and real estate financing¹¹⁶.

2.3.2 The role of cooperatives in the housing market:

The Ministry of Housing had an enormous burden on its hands. Towards the end of 1965, presidential decree no. 4415 was issued to determine the responsibilities of the Ministry, where its duties would exclusively be in central planning in its own domain, while executive actions would be left for the local authorities. One of the responsibilities of the Ministry was to deal with the nationalized companies which were divided into four main establishments¹¹⁷. One of those establishments/institutions was *The General Egyptian Institution for Housing and Construction*. It was created through presidential decree no. 4420 for 1965, with the aim of “improving the national economy in the domain of construction and cooperative housing”. While formally established in 1965, this institution had been gradually developing since 1954 during the Nasserite era with the purpose of fulfilling one the 1952 revolution’s goals of encouraging cooperatives in Egypt. Since 1954, the government had encouraged the formation of cooperative organizations to build houses. This started with the army officers who built what was known as the “officers’ city” in the Dokki neighborhood near the Agricultural museum¹¹⁸. Other cooperatives would be established later by the different professions, which were allocated plots of land according to their proximity to the revolutionary command council¹¹⁹ under the rubric of the “Endowments City”¹²⁰. The Ministry of Endowments divided a huge land plot and started selling the parcels to each member of the cooperative. At the time, the price range of a metre for a piece of land was EGP 2-4, which meant that a 600 meter piece of land was worth less than EGP 2000, and which were to be paid in installments over 15 years without interests. The cooperatives entered into partnership with the Ministry of Endowments in the land purchase contracts, and collectively entered into agreement with the banks to obtain what was known as

¹¹⁶ The World Bank (2007):29

¹¹⁷ Milad Hanna, “*Al Iskan Wa Al Seyasa*”, (*The General Egyptian Book Insitute*,1996):31

¹¹⁸ Ibid, 32

¹¹⁹ ibid

¹²⁰ Initially planned in 1950, ranged from Imbaba in the North up to Dokki and Agouza in the South

cooperative loans which came with extremely low interest rates to finance the construction of the buildings.

Starting in the 60s, housing cooperatives proliferated, reaching 154 cooperatives then, 385 in 1970, jumping to 1500 cooperatives in 1980¹²¹. Many were able to make fortunes through the process of collecting savings of the middle class who wanted to improve their housing status. In 1981, law 14 was issued to organize this continuously evolving and growing sector¹²². In order to fulfill the housing demands of the middle-class, the government increased the loans to housing cooperatives to reach 1200 million during the financial years of 1991/92. Realizing the massive burden those loans had on the general budget, the allocated loans decreased to 550 million in FY 1995/96. The housing cooperative sector became an attractive site for corruption and for making unlawful profits¹²³. However, since the government had effectively abandoned the rental system to replace it with the ownership system, it remained adamant to subsidize the ownership of an apartment through providing easy loans with interest rates less than those offered by commercial banks, and the only way to get access to those loans was through becoming a part of a cooperative regardless of the financial capability of the family or individual¹²⁴. This approach was described as a “subsidy for the brick” rather than a “subsidy for the human being” which should be given to an individual or family after assessing his income and social situation¹²⁵. In the FY 1993/94 and 1994/95 the government incurred EGP 780 million and 850 million respectively in value to subsidize housing loans for cooperatives¹²⁶.

By the mid-eighties, the maximum value of a given loan was EGP 8000, which at the time constituted around 80% of the value of the property and was to be repaid over 27 years with an interest rate of 4%¹²⁷. For a number of years, this was an effective system and the installments were a reasonable commitment. Over the years, the effectiveness of this system declined due the increase in construction costs as well as the shifting needs of the middle class who for example

¹²¹ Milad Hanna, 84

¹²² *ibid*

¹²³ *ibid*, 85

¹²⁴ *ibid*

¹²⁵ *ibid*

¹²⁶ *ibid*, 86

¹²⁷ *ibid*, 106

aspired to live in a 120m apartment instead of 90m¹²⁸. In practice, this meant that given an unchanged loan value, a citizen was required to endure a much higher cost for an apartment- a luxury that was unbearable by many. This however proved to be of benefit to other households, particularly those with “high” savings and who were in close contact with the members of the ruling party, in particular the local councils, where the subsidized apartments were given in return for campaigning for elections¹²⁹.

2.3.3 Towards a commodification of the housing market

With the death of Nasser in late September of 1970, Sadat issued two major decrees related to the administration of the housing sector. The first was decree no. 2400 for the year 1971, where the name of the Ministry was changed to become Ministry of Housing and Urbanization/Construction. The second decree aimed to re-organize the government body in light of the immense increase in the size of companies and activities of the public sector¹³⁰.

Housing policies which started by the mid-seventies had successfully increased the volume of constructed housing units, which provides substantial work for contractors and massive profits in addition to work opportunities for thousands of workers. Four million housing units were constructed in a span of 10 years from 1976 to 1986, while the number of families formed during the same period was 2.8 million families¹³¹. However, by the mid-eighties, Egypt’s housing policy could be encapsulated through the phrase “Houses without people and people without houses”, where the new policy clearly lacked a social outlook in its implementation.¹³²

After 1975, with the turn to neo-liberal economic policies, the government announced that it would only be responsible for the production of social housing, while the private sector

¹²⁸ Ibid, 107

¹²⁹ Ibid

¹³⁰ Ibid, 40

¹³¹ Ibid, p. 94

¹³² Ibid, p. 96

would take responsibility for constructing the other units¹³³. However, public housing supply in existing cities ceased, and the government redirected its focus towards the new urban communities, where the lower-income groups were encouraged to settle, this contributing to widening the gap between the demand and supply for affordable housing in the ‘old’ cities and exacerbating the scale of informal settlements¹³⁴. At the same time, support was given to the private sector in the formal sector by raising the annual investment ceiling for contracting companies to 100,000 then to 500,000 EGP in addition to allowing them to enter into the production and trading of some building material along with the public sector¹³⁵. In addition, foreign-owned companies were allowed to bid without a maximum ceiling. The issuance of law 43 for 1974 gave private sector companies tax exemptions on construction for periods ranging from 5-8 years, in addition to further exemptions (10-15 years) for construction in new communities and land reclamation projects¹³⁶. The law successfully attracted foreign and Arab investors, that which also caused a sudden increase in land prices due to increased demand on the agricultural land within the city’s peripheries¹³⁷. Capital was invited to invest in real estate speculation, and with investors tightening their grip on the land, land became an essential commodity¹³⁸.

In 1981, new rent laws were introduced with the aim of encouraging the private sector to return to the market, and low interest loans were offered to all housing investors¹³⁹. The new Housing Law introduced declared that one-third of all housing units would be put for sale¹⁴⁰. Rent control was still intact and still kept low, but the above-middle and luxury units were exempt from control and newly built units could rent at higher rates under the condition of freezing that rate after reaching an agreement¹⁴¹. This led private housing investments to become in service of upper income groups for the purpose of evading rent restrictions, while essentially forcing the professional middle class and working poor groups to seek out the informal

¹³³ Wael Fahmi and Keith Sutton, 280

¹³⁴ The World Bank (2007):5

¹³⁵ *ibid*

¹³⁶ Wael Fahmi, Keith Sutton, 280

¹³⁷ *ibid*

¹³⁸ *ibid*

¹³⁹ The World Bank (2007): 6

¹⁴⁰ Wael Fahmi, Keith Sutton, 281

¹⁴¹ The World Bank (2007):6

alternative with the lack of affordable housing¹⁴². Fifty thousand housing units in Cairo were estimated to be vacant during this period, due to the rigid rent controls¹⁴³. In addition, investment in upper-income housing yielded high investments, which further fueled the lack of interest in low-income housing¹⁴⁴. Consecutive amendments to rent control laws are suggested to have turned Egypt into an “owner-ship oriented system”, where it was almost impossible to enter without a sum of upfront payment or what is known as the ‘key money’, which most low and middle income groups cannot afford. Conversely, the severely under-priced rent for the fixed rent units only allowed for the continuation of absence of property maintenance, the absence of private investment as well as minimal property tax revenues¹⁴⁵. By the early nineties, the role of public sector housing companies saw a significant change. Rather than catering to the needs of the low-income citizens, the companies started operating as economic units that rendered profits at the forefront of their priorities. Instead of setting the selling price through calculating the cost of building and adding a minimal profit margin, the companies would set their selling price according to market prices, competing with the private sector, which effectively meant that only a certain socio-economic class would afford the housing units, that which exacerbated the housing crisis for the low-income families which further legitimized practices such as agricultural land erosion and building informal neighborhoods¹⁴⁶.

The eighties, nineties and beginning of the new millennium thus witnessed, the liberalization of the housing market. Low-income housing was vastly diminished, even though its presence was maintained in a marginal matter, more of a formality¹⁴⁷. The state continued to support middle income housing which during the nineties focused on youth and the new college graduates, with a college degree as a prerequisite. However, with the percentage of college graduates from urban slums and informal areas not exceeding 10%, such projects did not reach its ‘intended’ target group of the marginalized and most vulnerable. From then onwards, the state began to take its irreversible path towards luxury housing- where it would secure land and infrastructure for investors- laying the foundation for gated communities, and luxury housing.

¹⁴² *ibid*

¹⁴³ Wael Fahmi, Keith Sutton, 281

¹⁴⁴ *ibid*

¹⁴⁵ *ibid*

¹⁴⁶ Milad Hanna, 106

¹⁴⁷ *ibid*, 37

Despite new cities around Cairo being originally intended to house the low-income households and protect agricultural land from informal encroachment, this scheme was re-planned in the mid-nineties so that outskirts of Cairo would become areas to host middle and high-income housing, and which enjoy the privilege of proximity to Central Cairo¹⁴⁸. This was accompanied by the state's withdrawal from its role to providing housing for low-income families¹⁴⁹, especially with public investments were directed at the new cities with little left for the supply in the old cities. In addition, the development of the new cities was unbalanced, where the construction was often unaccompanied by proper infrastructure, which left the new homes unattractive and as a result unoccupied¹⁵⁰. The cost of housing and services in the new cities were relatively high and not affordable to the larger majority of Egyptians. Pressure on the housing market increased as a result, and at the same time real estate developers shifted their focus towards high-end market speculation¹⁵¹. As a result, informal housing markets became the illegal albeit unavoidable alternative for low-income popular demand. In the 1990s, popular encroachments in illegal settlements were the normal consequence of such state policies and priorities which drove public land privatization in favor of the big contractors who constructed gated communities along the outskirts of Cairo¹⁵². The advent of the 1990s witnessed real estate replacing agriculture as Egypt's third-largest non-oil investment sector, following tourism and manufacturing. However given that most of the tourism investment went into building vacation homes and tourist resorts, ie other forms of real estate, it became the largest non-oil investment sector¹⁵³. With most investments directed towards high-end luxury housing, house purchases in a significant number of cases reflected a need for investment in an economic asset rather than the actual need for a place to live.

The introduction of the 1996 rent control law had two major consequences. The first was the ending of the indefinite passing down of tenure, and the second was the limitation of rent contracts to definite time periods while setting zero price constraints¹⁵⁴. It was argued that an

¹⁴⁸ Dina Shohayeb and Khaled Abdel Haliem, "Marginalized Categories and the Right to Decent Housing" (2013):.35

¹⁴⁹ Ibid

¹⁵⁰ The World Bank (2007):6

¹⁵¹ Mohamed Gad (2017)

¹⁵² Eric Denis, "Demographic Surprises Foreshadow Change in Neoliberal Egypt", *MERIP* (2008):2

¹⁵³ Timothy Mitchell "Dreamland: The Neoliberalism of Your Desires", *MERIP* (1999): 1

¹⁵⁴ Ibid, 282

increase in the rental prices would lead to an increase in the availability of apartments for rent for a larger section of citizens who were out of the rental scope¹⁵⁵. Nonetheless, the law offered almost no protection to the tenant particularly in tenure security, while the increased rents unfavorably hampered the tenant's household needs namely food, clothing, education, etc.. As a result, landowners would set the contract period for a year at a time in order to increase the rental value each year, with the right to evict the tenant in case of refusal¹⁵⁶. In addition, foreign companies and individuals were allowed to own land and property in Egypt¹⁵⁷.

In 2005, Ministerial decree no. 230 removed restrictions on the allowed built land area and the number of units permitted for construction in the coastal areas in the Mediterranean and Red Sea. The creation of profits out of selling coastal lands was encouraged to the extent that the proceeds of one auction reached EGP1.2 billion¹⁵⁸.

The year 2007 witnessed the deregulation of Egypt's housing market following the Ministerial decree 350/2007 which practically eliminated all restrictions on foreign companies and individuals purchasing properties in Egypt with the exception of Sinai¹⁵⁹. Between 2007 and 2011, land prices jolted up by 148% per year in Cairo's new urban settlements, and by 44% per year in prime locations in the heart of Cairo¹⁶⁰. Similarly, the past eight years also saw a jump in prices of social housing where they had increased by 14% per year, while average incomes increased by merely 1% during the same period¹⁶¹. At the eve of Egypt's Economic Conference in March of 2015, further steps were taken on the deregulation front, whereas the last remaining restrictions on foreign ownership of land and property in Egypt were removed through the new Investment law no. 17 for the year 2015. According to the law, the government could assign state-owned land to the private sector to engage in private-public partnerships schemes for free.

¹⁵⁵ *ibid*

¹⁵⁶ *ibid*

¹⁵⁶ Yehia Shawkat, "The liberalization of the Housing Market and Illegal Tenure; A threat for millions", *EIPR* (2016):9
file:///C:/Sources%20for%20thesis/real_estate_market-eipr.pdf

¹⁵⁶ Yehia Shawkat (2015)

¹⁵⁶ *ibid*

¹⁵⁶ *ibid*

In 2017, more amendments to the law allowed foreigners to receive Egyptian residency of one or five years if they buy real estate worth \$ 100K (raising it from 50K) or 400K, respectively.

2.4 The political roots of speculation

In 1957, the government proclaimed there to be two separate types of state-lands, which are public lands and state-owned land which is subject to control by governmental institutions¹⁶². State-owned companies were thus allowed to use the state-owned lands for their own commercial purposes. The law paved the road to restrict people from land ownership through limitation¹⁶³ and lands owned through limitation starting in 1942 (15 years before the issuance of the law) became illegally owned, unless legal ownership documents were provided. In addition, “state-owned lands” became a commodity, where public companies and institutions were granted the right to act upon them as they wish if they made profit out of it for their own use¹⁶⁴.

With most of Egypt’s land state owned, it is difficult to argue against a depoliticized real estate market in Egypt. While the onset of Egypt’s housing issues and informal settlements are usually linked to Sadat and Mubarak’s neo-liberal economic policies, I however suggest it to be a reflection of Egypt’s exclusionary practices post 1952. In fact, Dorman explains that the desert cities initiatives and the ‘edifice projects’ of the 1960s such as the High Dam and the Tahrir Province were all part of the Nasserist building project which served as symbols of legitimacy for the Nasserite government and as a means of distributing patronage¹⁶⁵. Waterbury argues that such edifice projects were made to skip state-society negotiations by Egypt’s rulers through transforming the Egyptian society without actually engaging it¹⁶⁶.

¹⁶² Law 147 for the year 1957 which amends article 970 for law 131 for year 1948

¹⁶³ the right to something acquired by long use and enjoyment

¹⁶⁴ Yehia Shawkat (2016);8

¹⁶⁵ W.J Dorman, “Exclusion and Informality: The Praetorian Politics of Land Management in Cairo, Egypt.”, *International Journal of Urban and Regional Research* (2013):1587

¹⁶⁶ *ibid*

It is imperative here to look at military housing and control of land which dates to the Nasserite era and was supported by Sadat as a way of garnering the political support of the armed forces¹⁶⁷. Land holdings in the Western and Eastern deserts of Egypt by the Defense Ministry were a result of a policy of dispersing bases and facilities during the 1973 war with Israel¹⁶⁸. After the war, focus was directed towards post-war reconstruction as mentioned earlier. Military controlled areas became a valuable land bank for the military, and military organizations such as the Armed Forces Land Projects helped in constituting this land bank, in addition to valuable properties which the military acquired by force majeure¹⁶⁹. Egyptian land became a “kind of multi-purpose capital: enabling ‘joint ventures with public sector and private developers’ and thus ‘forging linkages with strategic elites.’¹⁷⁰”

As soon as the 1973 war had ended, Sadat announced the appointment of Othman Ahmed Othman founder of the Arab Contractors Co. as Minister of Housing and Construction¹⁷¹. Under Othman, the new functions of the Ministry would include urban planning, housing, construction, urbanization, and infrastructure. In his book “Housing and Policy”, Milad Hanna notes that at the time the private sector was mentioned for the first time on equal grounds with the public sector which was an indicator of the new political and economic stance of the state¹⁷². The new government in addition, regained its control over housing in Egypt’s governorates after a period of decentralization and control by their respective governors. Hanna describes this era as the era of the contractors’ dominance, where Othman became in total control of the housing and construction sector¹⁷³.

Othman’s first act was the privatization of the contracting sector. He issued a decree to annul the state policy of exclusively giving contracting operations that exceed EGP 500 thousand

¹⁶⁷ Ahmed Zohny, “The Politics, Economics and Dynamics of Development Administration in Contemporary Egypt: an Interdisciplinary Approach” (*Books on African Studies Bedu-Addo*, 1988):202

¹⁶⁸ W.J Dorman, 1588

¹⁶⁹ *ibid*

¹⁷⁰ Robert Springborg, "Military elites and the polity in Arab States", *Development Associates Occasional Paper 2* (1998) :6

¹⁷¹ Milad Hanna, 50

¹⁷² *ibid*, 62

¹⁷³ *ibid*, 64

in value to public sector companies, which paved the way to the creation of new companies that would become active in real estate investment. Public sector companies were thus faced by a strong competition from private sector companies, which were formed by the second generation of those whose companies were nationalized, hence companies like Sons of Othman, Sons of Allam, Sons of Durra, Sons of Adly Ayoub and the Sawiris appeared¹⁷⁴. By 1976, with the liberalization of the contracting sector, public sector companies became a burden on the state budget as they were forced to borrow from banks with high interest rates to perform projects that were directly assigned to them by the government, but which the government could not pay for. State owned companies such as the infamous Arab Contractors Co. and Al Nasr Co. went bankrupt long before the liberalization of the sector¹⁷⁵.

In 1976, Minister Othman occasionally delivered speeches from the podium of the people's assembly in a sign of his power. In one of his speeches, he announced there to be a deficit of one million housing units which created the housing crisis. The figure presented by Othman was amended three years in a report by a national research team which raised the deficit to 3.6 million housing units. However, the initial figure presented by Othman had essentially flattened the problem, since it lacked any form of analysis such as which type of housing mostly incurred the deficit, etc.... Othman's speech serves here as a marker of a historical moment which gave power to the 'new capitalists' who began their 'trade' in land speculation. It also gave rise to importers of construction material, ultimately creating a noticeable imbalance in Egypt's housing dynamics¹⁷⁶. In the mid-seventies the price of the square meter ranged from EGP 40-80 depending on its location. With the direction of Othman's policies coming into shape, prices witnessed a gradual increase until the price of the meter reached EGP 1000 in 1985. In 1995, the range of the metre had reached EGP 7000-10000 in prime locations¹⁷⁷. Recognizing the growing importance of well-located lands as a valuable unrenewable economic commodity, a strong urge appeared from businessmen to tear down old buildings to replace them by towers, business or residential. This was also met by a tremendous rise in the price of construction material. The price of a ton of cement sold for EGP 6-7 until the end of the sixties, rose to EGP

¹⁷⁴ Ibid, 61

¹⁷⁵ Ibid

¹⁷⁶ Milad Hanna, 76

¹⁷⁷ Ibid, 77

30 in the early seventies, then to EGP 200 in the early nineties. In the same period reinforcing steel rose from EGP 60 to 1200¹⁷⁸.

In a move to constitutionalize their hegemony, the Syndicate of Engineers led at the time by Othman himself, decided to form a separate entity for building and construction contractors which was to be issued through a separate decree from the “people’s council”. The new entity would allow the big names of the industry to impose taxes and percentages from the value of the smaller contractors’ own projects through which they would fund the different companies, thus in a way acting like a bank. The “entity” would also “sort” the contractors into categories upon which would be decided what projects they would be allowed to bid for¹⁷⁹. Despite oppositions from the then Prime Minister who foresaw the kind of political and economic power this entity would give to contractors, the decree was passed and the entity was formed in 1992¹⁸⁰.

With Cairo becoming a 10 million plus megacity, the governments of Sadat and Mubarak sought to attract this growth away from the capital, which was primarily centered on Egypt’s agricultural lands. As a result, foreign funding was pursued for the building of ‘new cities’, an idea that was dismissed as uneconomic by major donors such as the USAID and the World Bank, who instead proposed that the informal urbanization needed to be channeled to the state-owned desert periphery¹⁸¹. Such a proposal however was an impediment to the already-existing plan by the elite monopoly to base formal urbanization and construction on those peripheries- that which led the government to reject the donors’ proposals¹⁸². The term ‘elite’ here includes “multiple categories of influence and privilege. It includes senior officials in the housing ministry and its various agencies, as well as the public- and private-sector contractors who depended on their contracts”¹⁸³. In 1974, Sadat went ahead with the plan and announced the construction of new desert cities to become Egypt’s main urban development policy¹⁸⁴. The ‘new town’ practice acted as a “panacea”, whereby it would serve as a leeway to ignoring the

¹⁷⁸ Ibid, 79

¹⁷⁹ Ibid, 65

¹⁸⁰ Ibid

¹⁸¹ WJ Droman,1585

¹⁸² Ibid

¹⁸³ Ibid,1588

¹⁸⁴ Ibid,1591

growing complexities of the existing capital in favor of an alternative unilateral urban solution¹⁸⁵. Dorman describes this alternative urbanism as an “exercise for elite urbanism”, rather than an actual solution to problems it was meant to address¹⁸⁶. The new towns had proven extremely expensive for the state and were dubbed as ghost towns in the Egyptian press¹⁸⁷. Instead of allowing those new cities to be accessible to ordinary (working poor professional middle class) Egyptians through permitting large-scale construction of semi-formal owner built neighborhoods, they became a major attraction for upper-income Egyptians for speculative property investments. For example, land in the 10th of Ramadan city was allotted to businessmen with connections to the ruling party¹⁸⁸. In addition, housing in the new towns were regarded as inferior, with most job opportunities far away from them, and with the lack of basic amenities such as shops and essential services.

In the early 1980s, defense Minister Abdel Haliem Abu Ghazala expanded the military housing program whereby all retired soldiers would have their own flats by 1986¹⁸⁹. From 1985 to 1986, 5% of all housing constructed in Egypt was by and for the military. By the mid-1980s, the military had occupied about 128 km² in Cairo, and around half the metropolitan area at that time¹⁹⁰. The defense Ministry was an immediate driver in Egypt’s property boom. In 1986, the Ministry announced its desert-cities program that was going to be funded by the sale of military land in Cairo and other large cities¹⁹¹. The Ministry also began the sale of land in military cities to citizens who wanted to escape the congested life of the Nile Valley and reside in the desert. Other sites were however retained by the armed forces and security agencies for “future urban development that will generate huge profits for developers, whether private or government”.¹⁹² It is suggested that the Egyptian military’s parallel economy was linked to Mubarak’s efforts to depoliticize the officer corps in the 1980s followed by the

¹⁸⁵ *ibid*

¹⁸⁶ *ibid*

¹⁸⁷ Gil Feiler, “Housing Policy in Egypt”, *Middle Eastern Studies* (1992):306

¹⁸⁸ W.J Dorman, 1592

¹⁸⁹ W.J Dorman, 1588

¹⁹⁰ *ibid*,1603

¹⁹¹ *ibid*,1600

¹⁹² David Sims, “Understanding Cairo: the logic of a city out of control” (*American University in Cairo Press*, 2010):82

removal of Minister Abu Ghazala, his suspected rival in the 1989¹⁹³. Despite the diminished visibility of the military in the Egyptian public life by the early 1990s, it has maintained its behind the scenes influence particularly with its ownership of substantial assets in land, labor and capital¹⁹⁴.

Egypt's desert boom is a reflection of consistent configurations of speculation, whereby the politically connected businessmen would be allotted serviced land at unreasonably cheap prices, which they would use to build luxurious housing and sell them off at a premium¹⁹⁵. Real estate speculation was an essential form of "elite aggrandizement" since the 1970s. While in some cases state officials turned a blind eye to the public and private misuse of land, in other cases state agencies themselves were the ones leading the appropriation, often in the name of 'land reclamation'¹⁹⁶. Periodic bankruptcies and high-profile scandals by major developers reflect the speculative and patronage-driven character of the whole process. Muabarak's overthrow in 2011 was heavily enmeshed in the elite corruption related to this process¹⁹⁷. For instance, in 2005 during the reign of Housing Minister Ahmed Al Maghraby, 33.6 million metres were sold through direct sales by NUCA to the Hesham Talaat Moustafa Group for 297 EGP/metre to be paid over a period of 20-25 years in addition to their acquisition of 800 feddans by pre-emption¹⁹⁸. This deal would later culminate into the Madinaty project. In the same year, 26 thousand feddans were sold also through direct sales in the 'Ayat area to the Egyptian Kuwaiti Co. for 200 EGP/feddan which is worth approximately 7 millimes for the metre, to be utilized for agricultural reclamation¹⁹⁹. Several months later, and before paying the price of the land in full to the government, the Co. resold the land for 100 thousand per feddan to another Kuwaiti Co. called "The International Group for Real

¹⁹³ *ibid*

¹⁹⁴ W.J Dorman, 1588

¹⁹⁵ David Sims, 179

¹⁹⁶ *ibid*

¹⁹⁷ W.J Dorman, 1588

¹⁹⁸ Mahinour Al Badrawy, "From Hassanein to Palm Hills", *Egyptian Center for Economic and Social Rights* (2012):13

¹⁹⁹ *ibid*

Estate Companies” as land to be used for luxury housing²⁰⁰. In 2006, 500 feddans were sold to the Palm Hills Group for 250 EGP/metre to be utilized as luxury housing.²⁰¹ Looking at the company documents, we get to see how enmeshed the members of the government and the board of the company were. The Mansour-Maghrabi Co. which was owned by the then Housing Minister Ahmed Al Maghraby who was also the head of NUCA at the time, as well as Mohamed Mansour, the former Minister of transport, owned 55% of the company’s stocks. Over and above, Alaa Mubarak, owned 24 million stocks where he listed himself as Alaa Mohamed Hosny Al Sayed in order to conceal his involvement in such a corrupt deal²⁰². The company’s stakeholders also included Gamal Mubarak’s brother in law as well as the son of the Minister of Foreign Affairs²⁰³.

‘Land monetization’ has become a common practice of governments, where the increase in land price driven by government powers of land management, allows state actors increased control over urban spatial change²⁰⁴. This control becomes embodied in the extension of state power either through taking the revenue from the development of the land for the government, or through guaranteeing the support of the powerful corporate state backers through distributing revenues of land development²⁰⁵. Gavin Shatkin introduces the concept of a ‘real estate turn in urban politics and policy’, which he aligns with the rise of ‘speculative urbanism’ that is characterized by a turn towards developing ‘world build environments’ through enabling corporate land speculation²⁰⁶. This also falls within Harvey’s theorization for the over accumulation of capital, where in tendencies of crisis, increased investment in the ‘secondary circuit’ of capital occurs, which means investing in the built environment²⁰⁷. Timothy Mitchell argues that the neo-liberal program did not remove the state from the market, nor remove public subsidies,

²⁰⁰ *ibid*

²⁰¹ *ibid*, 14

²⁰² *ibid*, 16

²⁰³ *ibid*

²⁰⁴ Gavin Shatkin, “The Real Estate Turn in Policy and Planning: Land Monetization and the Political Economy of Peri-Urbanization in Asia”, *Cities* (2016): 142

²⁰⁵ *ibid*

²⁰⁶ *ibid*

²⁰⁷ David Harvey (1985):7

but argued instead that they belonged to the imagination²⁰⁸. He explains that the main impact of the neo-liberal program was the allocation of public funds into fewer and different hands. “The state turned resources away from agriculture and industry and the underlying problems of training and employment. It now subsidized financiers instead of factories, cement kilns instead of bakeries, speculators instead of schools.”²⁰⁹

²⁰⁸ Timothy Mitchell, “No Factories, No Problems: The Logic of Neoliberalism in Egypt”, *Review of African Political Economy* (1999):455

²⁰⁹ *ibid*

Chapter Three

3.1 The role of banks and access to credit

In this chapter I look at the role of banks both globally and locally in the housing crisis through their financing of real estate. Globally, banks shifted their “investment” from productive activities to new financial instruments namely the securities market to finance real estate. In Egypt, research conducted has shown that during the liberalization of the banking sector a certain ‘private sector elite’ was granted access to credit, which practically diminished the chances for young entrepreneurs to enter the market. I then look at the efforts by the government to promote financial inclusion of Egyptian households through encouraging access to credit and reform of finance mortgaging.

3.2 The Global Credit Crunch

Taking the example of housing, it is very clear that not only was the state never absent but, more than that, it has always played a central role in the process of commodification and financialization. Public or semi-public banks across the world slowly diverted their public funds from aide-à-la-pierre (financing public or semi-public social housing builders) to aide-à-la-personne (subsidizing the consumption of market-produced houses)²¹⁰.

According to the social theory of money, all money is credit to the holder and a debt on society²¹¹. Money is mostly created through bank credit or what becomes called debt-based money²¹². No sector of the current society is excluded from debt involvement, including the government, industry, individuals, households and the financial sector. The housing boom in the US and the UK was fueled by borrowing for financial speculation through mortgage and personal debts leading to a massive credit crunch.²¹³ The issuing of money through a privately-owned banking system also meant that the direction of money use was no longer in the hands of

²¹⁰ Raquel Rolnik. 1064

²¹¹ Mary Mellor. 24

²¹² Ibid, 25

²¹³ Ibid

the public sector but by those who take on the debt. Money is created through taking on debt through loans offered by the banks which enabled capitalist expansion²¹⁴. Capitalism would fall if everyone paid their debts or if debts were no longer taken. Unlike state-issued money or what is known as ‘fiat’ money, money issued by banks needs to be repaid with interest. “Credit creation became the actual business of banking”, without which they could not carry on their business²¹⁵. The bank credit creation system had thus been catering to the demands of speculative inflation rather than to the needs of production. A substantial change in the banking system was the circulation of money through the money market instead of the banking system. Banks, particularly investment banks began to sell the debts they were issuing as an asset for investment as a ‘security’ where they would have more ready cash for business expansion²¹⁶. The buying of debt ultimately became the fastest growing business on Wall Street²¹⁷. Over and above, the growing promotion of homeownership coupled by a house price boom that seemed unending led to a massive expansion of mortgage debt in the US. By 2006, the banking system which has become reliant on securing a constant money flow through the money markets was only investing in the new financial instruments rather than productive activities²¹⁸. Lending for finance real estate and household purposes replaced “productive” lending as a driving force in the loan portfolio of banks²¹⁹. The 2007 financial crisis was caused by a halt in lending between banks because they had ceased to believe in the financial products there were exchanging, thus no longer believed in the functionality of the banks themselves.

3.3 Banking and the making of the elite monopoly in Egypt

In the early 1960s, Nasser nationalized the Egyptian banking sector which encompassed four public banks which were the National Bank of Egypt, Banque Misr, Banque du Caire and Bank of Alexandria. The four banks were responsible for exclusively channeling financial

²¹⁴ Ibid, 27

²¹⁵ Ibid, 37

²¹⁶ Ibid, 47

²¹⁷ Ibid, 48

²¹⁸ Ibid, 50

²¹⁹ Mauel Aalbers, “The Variegated Financialization of Housing.” *International Journal of Urban and Regional Research* (2017):4

resources to developing the public sector under the supervision of the Central Bank of Egypt²²⁰. Under Sadat, the adoption of an open-door policy freed the path for establishing joint ventures between foreign and public banks granted a national stake of a minimum of 51%²²¹. However, the newly formed banks did not perform well in their roles as financial intermediators, in addition to their balance sheets being burdened with what is known as non-performing loans which were loans in default or about to become in default²²². With the undertaking of economic liberalization through structural adjustment programs in 1991, Egypt's banks' lending and deposit rates were liberalized, and credit ceilings for the private and public sector were abolished²²³. In 1992, law 95 was issued to regulate the issuance of security and dealings as well as the companies working in the securities field with the aim of reviving an inactive capital market. Restructuring of the banking system was the other main aspect of the reform process. This restructuring entailed a significant reduction in the public ownership of banks to "enhance the market mechanism"²²⁴. The joint venture banks were forcefully privatized through reducing the share of the four public banks in those ventures by less than 20 percent, as well as allowing foreign ownership by more than 49 percent. Further, the abolishment of credit ceilings remarkably increased the credit supply to the private sector. The World Bank claims that the private sector as a share of GDP increased from 29% to 54% in the period between 1990 and 2003²²⁵. Non-performing loans, however, still constituted more than 24% of loans in 2003 and the capital market failed in becoming an alternative tool for corporate financing²²⁶. Against rising inflation, high unemployment rates and a growing domestic debt, the free floatation of the Egyptian pound was announced by the government in 2003. A few months after, in July of the same year, a new banking law was passed with the aim of merging the banking industry through "reducing the numbers of banks, privatizing the remainder of the joint venture banks along with one or more of the public-sector banks"²²⁷. The effect of the law on the banking sector was quite

²²⁰ Stephan Roll, "'Finance Matters!' The Influence of Financial Sector Reforms on the Development of the Entrepreneurial Elite in Egypt." *Mediterranean Politics* (2010), 349–370:353

²²¹ *ibid*

²²² *ibid*

²²³ *ibid*

²²⁴ *ibid*

²²⁵ *ibid*

²²⁶ *ibid*

²²⁷ *ibid*

visible. The number of banks controlled by foreign companies reached 15 banks in 2008 as opposed to five in 2004 and two in the early 90s²²⁸. In addition, the market share of privately controlled banks increased from around 20% in 2004 to more than 50% in 2008. The share of non-performing loans on the banks' balance sheets witnessed significant decline, yet not sufficient enough to improve credit supply²²⁹.

The economic development of the business private sector was an essential outcome of the structural adjustment process, not only through the privatization of public enterprises, but also largely through the opening of new sectors for private investment that were formerly labelled as strategic such as steel and telecommunications²³⁰.

Access to finance was most certainly an essential factor in making profit of those opportunities. It is argued that Egypt's current supreme economic figures were granted access to finance due to their political connections rather than economic rationality which at the time made it impossible for young new entrepreneurs to start businesses²³¹. Complaints by small and medium enterprises for not getting access to credit is in fact highly contradictory to the high increase of credit supply to the private sector stimulated by the reforms in the banking sector, and statistics reveal that in 2000 only 10% of the financing needs of micro and SMEs were met²³². In an analysis of the Egyptian banking sector it was revealed that 42 percent of the overall credit facilities to the private sector was distributed to a mere 343 clients, 28 of which received 13% of the overall credit²³³, as well as two borrowers owning loans worth more than the bank's capital base²³⁴. In addition to the unrestricted credit access, the government decided to settle the non-performing loans (NPLs) despite a history of ignoring the problem since the 1990s²³⁵. In 2004, a new law was issued that allowed the "central bank" to make out-of-court settlements and created a new unit at the CBE for dealing with NPLs and mediating between

²²⁸ Ibid,354

²²⁹ Ibid

²³⁰ Ibid, 356

²³¹ Ibid, 351

²³² Ibid,355

²³³ Ibid

²³⁴ Ibid, 356

²³⁵ Ibid, 357

banks and debtors. Over 5000 loan default cases were investigated at the time, 250 of which entailed amounts more than EGP 50 million²³⁶. An excluded public from the out-of-courts settlements exacerbated the already existing problem of lack of transparency regarding credit supply which started in the 1990s, consequently making it an impossible matter to prove if the ‘examined’ businessmen were really insolvent or simply holding large private assets²³⁷. At the time, the forging of strategic alliances between private banks and Egyptian local business families began to form. In 2006, the El-Mansour and El-Maghraby Investment and Development (MMID)²³⁸ bought the Egyptian American Bank. This was followed by a joint venture with the French Bank Credit Agricole²³⁹ where MMID held a share of more than 20%. The significance of this venture was later exposed when the French Bank swiftly expanded into the field of mortgage financing to directly support the growing business activities of the families in the Egyptian real estate market²⁴⁰.

3.3 Towards financial inclusion and a homeownership society

In Egypt, ‘experts’ express their worry that a country with a population of over 90 million has only 10-13% of its population with bank accounts²⁴¹. In April of 2017, the Central Bank of Egypt held the “Arab week for financial inclusion”, with the aim of bringing the maximum possible number of companies and individuals under the banking system umbrella, which would according to an economic expert, “spur economic development”²⁴². In the same month, the Egyptian Banking Institute celebrated the Global Money Week through an initiative titled “Shaping the Future” which targeted achieving financial literacy for 1.5 million children and youth across 27 governorates²⁴³. Activities of the Global Money Week included university

²³⁶ *ibid*

²³⁷ *ibid*, 358

²³⁸ An investment vehicle combining both families

²³⁹ *ibid*, 359

²⁴⁰ *ibid*

²⁴¹ Nesma Nowar, “Financial Services for All”, *Al Ahrām Weekly* (2017)

<http://weekly.ahram.org.eg/News/20426.aspx>

²⁴² *ibid*

²⁴³ Egypt and the Global Money Week, *Microfinance in the MENA Region* (2017)

<http://microfinance-mena.org/news/egypt-global-money-week-2017/>

students visiting a number of Egyptian Banks as well as the Egyptian Stock Exchange. Public primary, preparatory and secondary schools were also spaces where financial awareness sessions took place. The Egyptian Banking Institute (EBI) also partnered with the Ministry of Youth and Sports and the Egyptian Stock Exchange to host a stock exchange simulation game for children, where the winner would receive prizes from Banque Misr²⁴⁴. Later in 2017, presidential decree no 89 was issued for the establishment of the ‘Egyptian Council for Payments’ which would serve as a body to guide Egypt to become a cashless economy²⁴⁵. The council in principle aims to transform the country’s economy into a digital one through expanding digital payments to reduce the share of informal financial transactions. The council is headed by the Egyptian President and its members include the Prime Minister, the Central Bank’s governor, Ministers of Defense, Planning, Interior, Justice, Finance, Communications, and head of the Secret Services²⁴⁶. One of the first decisions announced by the council was the introduction of mobile payment services and financial transactions. To promote this, citizens were exempted from the fees required to open accounts for mobile payments for a year.

In Egypt, savings instruments, most commonly postal savings, are more common than credit²⁴⁷. Among the literate and illiterate, postal savings are almost twice as prevalent as bank savings²⁴⁸. The securities market as a source of financing investment is quite limited, and there are a few non-bank real estate lending companies offering mortgage loans²⁴⁹. For real estate investment or purchasing, the most common financing method is offered by the developer through a deferred installment arrangement where the developer receives a small down payment usually amounting to 10% of the unit’s price, which is followed by installments over 4-8 years and in some cases 10 years. The unit becomes officially in the name of buyer upon payment of the final installment²⁵⁰. Developers eager to sell their units and schemes that offer paying in

²⁴⁴ *ibid*

²⁴⁵ Microfinance in the MENA region, <http://microfinance-mena.org/news/central-bank-egypt-guides-egypt-towards-cashless-economy/>, 2017

²⁴⁶ Mohamed Al Galy, “Sisi heads the second meeting for National Council for Payments”, *Youm7* (2017) <http://tinyurl.com/y89nm8dk>

²⁴⁷ Mostafa El Araby, “The role of the state in managing urban land supply and prices in Egypt”, *Habitat International* (2003): xix

²⁴⁸ *ibid*

²⁴⁹ *ibid*, xxiii

²⁵⁰ *ibid*, xxv

installments have become common amongst developers with projects on Cairo's outskirts, where it is estimated that 80-90% of new homes today are bought in installments²⁵¹.

3.3.1 Finance Mortgaging in Egypt

In 2001, the real estate law or Mortgage Law no. 148 was issued in an attempt to resolve the unaffordability of housing in Egypt. While designed to provide affordable long-term allocation for property purchase (up to 90% of the value of the unit) and the building and renovation of real estate, the law as any mortgage law allowed banks to repossess properties and evict tenants who default²⁵². In what would be called a foreclosure sale, a property would be sold in a public auction in the event of a default²⁵³. Amendments to the law occurred to appease religious authorities who did forbid the law according to their interpretation of Islam because it was based on 'riba' or usury. Amendments were done to the terminology where the term 'interests' was replaced by 'installments'²⁵⁴. Back then, experts at the Housing and Development Bank had stated that the private sector monopoly on the housing sector had led properties to be overpriced, and that the introduced mortgage law would "make real estate more affordable for the population"²⁵⁵. Nonetheless, on the account of lack of land and with only 10% of urban units registered, the mortgage market was unable to develop²⁵⁶.

Over the past few years, the Egyptian government has been trying to make some reforms to create an enabling environment for a proper mortgage finance market. Some of these reforms include creating system for registering property, reducing fees for property registration and setting legal foundations for establishing foreclosure procedures, in addition to allowing private sector financial institutions to securitize mortgages²⁵⁷. A report by the World Bank in 2013 indicated that the value of market-based home loans jumped from EGP 300m (\$42.8m) in 2006 to EGP 4.5bn (\$642.3m) in 2011, while during the same period, the number of mortgage

²⁵¹ Wael Fahmi and Keith Sutton", 283

²⁵² Ibid,282

²⁵³ Ibid,283

²⁵⁴ Ibid

²⁵⁵ Ibid

²⁵⁶ Raymond Struyk and Roman Ireny, "Home Purchase in Nascent Mortgage Markets: Determinants of Who Borrows and Who Pay Cash in Cairo", *Habitat International* (2008):414

²⁵⁷ Mostafa El Araby, xxvi

finance companies grew from two to 12²⁵⁸. Despite this significant increase, the Egyptian mortgage market is still considered to be under-developed, where the value of outstanding mortgages was less than 1% of the GDP, whereas for OECD countries the value was between 30% and 90%²⁵⁹. In 2014, the government announced that further easing of mortgage restrictions was an essential step towards accessibility of low-cost housing. In the same year, the Central Bank of Egypt (CBE) re-launched the initiative with interests starting from 7% to the low income and 8% to the middle-income groups. Nonetheless, the lack of property registration was once again an impediment to the spread of the process. Under the initiative, housing for the middle income needed to not exceed EGP 500 thousand. However, units directed towards the middle income often exceeded this value, particularly after the devaluation of the Egyptian pound²⁶⁰.

In 2017, the CBE re-proposed the initiative and launched a large media campaign to once again promote the finance mortgage initiative, which would increase the allocated amount for mortgage financing for the low and middle-income households from EGP 10 million to 20 million. The maximum stipulated income for a middle-income individual was EGP 10 thousand and EGP 14 thousand for a family²⁶¹. The Minister of Investment had announced that those reforms had led to an increase in the percentage of finance mortgage contracts by 77% during the first half of 2017 compared to the first half of 2016²⁶². However, with most units available for the high-end of the market, it is doubtful that this year's recent initiative would have a significant impact on the affordability of units for the low and middle-income groups.

Randy Martin argues that financialization brings together markets that were separate, such as banking for consumers or markets for real estate. It asks people from all walks of life to welcome risks into their homes and think like capitalists without having enough capital²⁶³.

²⁵⁸ Egypt to lift Home Ownership Rates, *Oxford Business Group* (2014)

<http://www.oxfordbusinessgroup.com/news/egypt-lift-home-ownership-rates#.Uw8ury8oGJQ.twitter>

²⁵⁹ *ibid*

²⁶⁰ Mona Al Masry, "Analysis: The Mortgage Finance Initiative Faces Challenges after Devaluation", *Masrawy* (2007)

<https://tinyurl.com/ycj82dub>

²⁶¹ Ahmed Yacoub, "Details of the Mortgage Finance Initiative after Central Bank Amendments", *AL Youm7* (2017)

<https://tinyurl.com/yalhuadq>

²⁶² Nagy Abdel Aziz, "Sahar participates in 'The Future of Investment in Egypt' Conference, *AlMasry AlYoum* (2017)

²⁶³ Randy Martin, "Financialization of Daily Life", (Temple University Press: 2002: 12

Widespread lending in housing markets has become a global establishment. In the United States for examples, the large increase in subprime²⁶⁴ lending is currently recognized as “reverse redlining”, where individuals who were denied access to credit before are now being “actively targeted with new and high-risk credit products”²⁶⁵.

3.3.2 The real estate investment funds:

A couple of months before Ramadan of this year, Egyptian roads were suddenly filled with billboards promoting a teaser for a campaign titled “Talaat Harb is coming back”. For over a month Egyptians on social media kept speculating around the purpose of the ad. While many thought it was going to be a drama series about the life of Talaat Harb, others said that the Bank of Egypt ‘Bank Misr’ was offering a new saving certificate with a 26% return, leaving people to wonder and make fearful assumptions over what that would mean in terms of inflation. With speculations reaching their apex, the official campaign was finally released, and it turned out to be a promotion for the first ‘real estate investment funds in Egypt’ with a promised return on investments of 26%, which is 6% higher than the highest investment certificate in Egyptian banks. The new fund would allow investors as well as ordinary citizens to invest in high end properties with a high investment return they would otherwise “not have the liquid money to invest in”. Citizens or investors are given the choice to invest in multiple properties instead of only one²⁶⁶.

“Egyptians in general are fans of real estate”, explains the executive director of Al Naeem Holding which issued the real estate funds, “they consider it as the most secure form of investment, which it is”. He continues “we have bought properties with a guaranteed return on investments which would make investing in the fund successful ”²⁶⁷

²⁶⁴ A type of loan that is offered at a rate above prime to individuals who do not qualify for prime rate loans

²⁶⁵ Fiona Allon, “Speculating on Everyday Life: The Cultural Economy of the Quotidian.” *Journal of Communication Inquiry* (2010,),366–381:368

²⁶⁶ “The Truth about the 26% interest on Bank Misr Certificates”, *Al Tahrir News* (2017)
<https://tinyurl.com/y9nqovdy>

²⁶⁷ Dina Wadi, “For the First Time in Egypt, Invest in Real Estate for 50K and the Profit is Guaranteed”, *Dot Misr* (2017)
<https://tinyurl.com/y8q8prhg>

Of course, what they fail to mention is that this leaves people in debt. The increased dominance of money and its value has been described as the process of financialization, which refers to “the increasing role of financial motives, financial markets, financial actors and financial institutions in the operation of the domestic and international economies”.²⁶⁸ Financialization was strong in effect in the sense that it extended to the personal lives of the population, where people were pushed to stand on their own feet to achieve security by investing in personal financial assets²⁶⁹. No longer were savings a security for a rainy day, but rather investments²⁷⁰. A house was thus no longer seen as a place to live, but more of a store of wealth²⁷¹. With the proliferation of housing prices, a large percentage of the Egyptian population currently has a stake in the stability and certainly the rise of housing prices so as not to lose the value of their investments. Housing in Egypt has thus become monetized or ‘propertized’²⁷² insofar as its citizens operate as investors in economic growth by virtue of the value of their homes. A wide range of everyday cultural practices have become connected to global financial networks: pensions, the purchase of houses and consumer goods, the payment of phone and credit card bills and most certainly homeownership and mortgages²⁷³. The turn to use housing as an investment asset enmeshed in a globalized financial market has come to characterize the commodification of housing. With policymakers agreeing to propagate housing as a means to wealth instead of a social good, the value is generated in the generation of more value, which becomes dependent on the speed and number of transactions that would yield an increase in value²⁷⁴. Consequently, a culture of borrowing is pushed to become the norm²⁷⁵.

Horizontal integration has become a characteristic of the globalization of real estate, which is seen in the creation of possibilities for new kinds of deals.²⁷⁶ The securitization of the real estate market is related to this, which includes a growing range of potential investors, as well

²⁶⁸Gerald Epstein, “Financialization and the World Economy” (*Edward Elgar* 2005): 3

²⁶⁹ Mary Mellor, 58

²⁷⁰ *Ibid*, 59

²⁷¹ *Ibid*, 68

²⁷² Richard Ronald, “The Ideology of Home Ownership” (*Palgrave Macmillan* 2008): 112

²⁷³ Fiona Allon, 373

²⁷⁴ *ibid*

²⁷⁵ *Ibid*, 375

²⁷⁶ John Logan, “Gambling on real estate: Limited Rationality in the Global Economy”, *Sociological Perspectives* (1991):398

as the expansion of the role of intermediary financial institutions such as insurance companies and realty asset managers to channel the investment²⁷⁷. The deregulation of the financial industry allowed “extra-regional capital markets to more directly affect land development”, where the creation of funds such as the real estate investment fund which aims to invest directly into real estate projects signals that more and more enterprises are becoming attracted to the profits offered by the real estate industry²⁷⁸.

The takeover of the housing sector by global finance through the ‘socialization of credit’ with the push to include low-income consumers into financial circuits, have opened up a new avenue for capital accumulation, “allowing the free circulation of values across virtually all urban land”. The adoption of neo-liberalism effectively changed the meaning and economic role of housing not only in Egypt, but globally as well. A housing paradigm was in action which was premised on the making of policies that would create stronger and larger housing-based financial markets to include middle and low-income groups²⁷⁹.

Amina, the NGO employee living in Al Shorouk city, currently lives in one of the social housing schemes, yet she explains that she applied for a second apartment through mortgage financing to serve as a source of investment where she would be able to rent or sell it at a much higher price once she is finished with her installments. “When I pay it off I know its price will be double the price I bought it with, eventhough the government took more money than what its worth, but given the country’s circumstances, any real estate investment is lucrative in the future.” Even though Amina describes her investment as a lucrative one, she also at one point describes it a source of loss. For her, this source of loss is more psychological than it is material, for she constantly feels threatened that the apartment would be taken away from her. The housing scheme which Amina is a part of requires that she pays an installment to the bank every month. Amina explains that if she is ever late in paying her installments the bank would ring her up and threaten to take the apartment and she becomes automatically faced with interests. She also adds that government officials would often pass to make sure she is not renting out the

²⁷⁷ *ibid*

²⁷⁸ Benjamin Stanley, 563

²⁷⁹ Raquel Rolnik, 1059

apartment or else they would take it from her. Amina sometimes feels that the apartment is a loss for her because she is unable to rent it, nor is able to stay in it because of how ill-equipped it is. In addition, the apartment she received was not the same size she signed up for, yet she is willing to accept it “given the country’s circumstances and given the illogical price hikes”. Amina is simply willing to take whatever the government would offer her. “In those terrible times we live in, you will find that the level of people’s ambitions lowered like me, I just say it’s good that I have the apt, it does not matter where the apt is and if it’s on the fifth floor and I have an illness and can’t go up the stairs, it’s really unfair, legally and financially.”

Amina received an apartment that was different from what was stated in the contract. Despite being generally vocal about her demands, Amina stated that she would never file a case against the government because she knows they would collaborate against her and take the apartment from her, “In Egypt the papers are theirs, the law is theirs, and anything they do will be framed as legal, we are not a law country to file a case, they treat their citizens as dogs to throw bones at and people would run for it.” In general, Amina states that she does not feel any kind of economic or social security in Egypt. Security for her is “at least putting aside some money in case anyone is sick, but it’s not really security, it is trying to do what you can do.”

The financialization of the everyday practices and the production of the individual as a financial subject is the zenith of neoliberalism²⁸⁰. The official enactment of the economic opening policies in the early nineties characterized by the state’s gradual withdrawal from the housing sector and promoting incentives for attracting investors to Egypt’s real estate sector. To become responsible for the provision of housing for the middle and upper income groups had effectively led to the commodification of Egypt’s land²⁸¹. Investment directed towards land speculation had proven to yield very high returns, that which led to the creation of land scarcity, by virtue of its value. A myriad of state policies throughout the years which were inconsistent in nature starting from the rigid rent control laws to the sudden complete removal of rent restrictions while keeping many of the existing units subject to the former rent laws, coupled by the successive privatization of successful public companies that fall in strategic land locations,

²⁸⁰ Anthonio Hardt, Michael Negri, “Empire”, (*Harvard University Press*, 2000):32

²⁸¹ David Harvey (1985):7

all characterize the state's urban policy turn ²⁸². In effect, the pouring of capital into productive sectors was replaced with investment in the build environment, and financial success and security as a consequence was equated with real estate activity. The neoliberal project had in a way "directly institutionalized insecurity", and has driven the "proliferation of the insecure contingent, un-guaranteed, temporary, and informal employment associated with the "precariat"²⁸³. The project itself used fear as a tool to govern, according to Elaine Campbell in "Emotional Life of Governmental Power", neoliberal subjects are governed to fulfil their potential of security, order and stability. This is achieved through mechanisms of fear, and for that to change, they need not only think differently, but feel differently. In other words, as long as there is fear, and as long as it is felt, it will manifest in the pursuit of security and order. ²⁸⁴

²⁸² Gavin Shatkin, 142

²⁸³ David Neilson, "Class, Precarity and Anxiety under Neoliberal Global Capitalism", *Theory and Psychology* (2015):189

²⁸⁴ Elaine Campbell, "The Emotional Life of Governmental Power", *Foucault Studies* (2010) :35-53

Chapter Four

4.1 Understanding the financialization of everyday practices

We cannot look at financialization as a single, univocal logic, “there is multiplication of perspectives on the ways in which economic, political, and cultural rationalities are variable, heterogeneous, and yet, intertwined.”

In this chapter, I try to understand the investment subjectivity, and the “cultural conditions of possibility imbricated with economic and political factors in complex and often contradictory ways”²⁸⁵ through looking at my respondents’ perceptions on why they invest in real estate, what role do advertisements play, their perceptions on people who buy and sell property for a living, and finally what those working in real estate have to say about the field and why they work in it.

4.2 Why do people invest in real estate?

Generally speaking, the prudent purchase of land is a better investment for the ordinary man than stocks and bonds, because in the former case he does not pit his judgment against the machinations of a board. —Richard T. Ely, 1920²⁸⁶

While most respondents believe that a housing bubble in Egypt would eventually occur, they still deemed real estate investment as the most secure. Adel, the salesman from Sodic, was the only respondent who did not predict a housing bubble since Egypt does not have a mortgage system like the US for example. Adel asserts that there are practically minimal risks involved in real estate investments and the biggest risks one could face is being involved with a poor developer or not receiving the unit on time or not being provided with amenities like gas and electricity (a problem he himself is facing in his compound). yet He concludes that at the end of the day real estate investment is a definite win not a loss.

²⁸⁵ Fiona Allon, 368

²⁸⁶ Edward Glaeser, “A Nation of Gamblers: Real Estate Speculation And American History”, *American Economic Review* (2013):42

“60% of people buy property to live in it, and the other 40% buy to invest”. This was the closest to an estimation provided by Adel, who works as a salesman in SODIC Co. for Real Estate Development. Accurate figures on the percentage of people who buy for a living as opposed investment were not available by other real estate sales or marketers whom I interviewed. Dalia who works in Amer Group claims that Porto has its known clientele who purchase to invest, “we have a known 100 clients who buy in any Amer project, because they know that what they buy today would witness significant value increases after only a few years”. What the sales people and marketers I interviewed were certain about however is that “nothing is not sold”. This guaranteed profit in the real estate business is what leads to everything being sold. Dalia explains, “if he bought it today and sold it a week after he would still make profit even if it is little, some people even sell their receipt they placed the down payment with, and would still make a profit.”

In Gustav Peebles’s banking accounting he argues that individuals prioritize the investment of their money over the hoarding of cash reserves as the rational choice for them when thinking of family and public well-being²⁸⁷. Real estate was also the more popular option when compared with other forms of investment such as the bank or a project. For only two respondents a bank was more favorable than real estate investment. Those two respondents have more than two assets as investment sources, yet they state that they would not have placed that money in the assets had they not had a primary fixed capital in the bank that for them is the source of security because “even if the value for money becomes less, but still it will not go”. A common response among my respondents who did actually invest in real estate was “I am not a broker, I will only put my money in real estate when I need it, not solely for the sake of investment.” One of those respondents is Shaimaa who is a resident of El Mohandesin area, but owns in addition a land in OFOK and Rose Valley (compounds at Cairo’s outskirts), a unit in Porto October, a chalet in the North Coast as well as one in Ain Sokhna. I asked Shaimaa about the dividing line between her feeling ‘safe’ so she can invest in such a number of properties, and not feeling safe so she would put her money in the bank. For her that dividing line was having a

²⁸⁷ Hadas Weiss, “Homeownership in Israel: The Social Costs of Middle-Class Debt “, *Cultural Anthropology* (2014):133

large sum of money in the bank or a very easy payment method where she would not need to take money out of her main capital. She however concludes that real estate and land are the most guaranteed sources of investment and regards her different assets as things that are all for a purpose and that are of use aside from being a resale or rental source. “I am not a broker, my target is not to buy and sell – but if I have surplus money I will think of real estate, so for example I am thinking about getting another apartment in Ain El Sokhna because the one we have is a family place, so we need to get some unit of our own, for my daughter, this is an investment and I will also make use of it.”

Investing in real estate was often placed in opposition to investing in projects, and among many respondents the case for real estate was quite strong particularly because of the failure of projects in Egypt. Shaimaa continues, “Investing in projects in Egypt is a failure, because Egypt lacks a security system, laws are continuously changing, and there are only a small group of people in control, the only secure thing is real estate, not even the stock market, the secure places are the banks (the national bank of Egypt) and real estate”

One of the respondents, Amina, who had been through the experience of investing in a project states that if she had surplus money she would never put it in a project because she would not want to risk losing as she did in her project before. “I would buy an apartment or my own shop. Anything that makes a surplus value even if little but is guaranteed to increase are properties even if it’s a room in an apartment.” For most of my respondents however real estate investment or investment of any source was contingent upon having surplus money, yet to invest in real estate when having surplus money was also the automatic and quite normal response, as if it was the obvious thing to do. Peebles argues that investment in a home would always be the more appealing choice over a savings account since its return on investment is “deflected to the distant future”²⁸⁸.

Gehad, who is in her mid-twenties and works in a multinational corporation explains, “If I had surplus money I would invest in real estate because it is a good investment, and everyone makes

²⁸⁸ *ibid*

money off it, my father had bought a land in the green rope²⁸⁹, and now we can sell it for much more.”

Hala who owns a number of feddans in an agriculture land in a rural village has been trying to sell it but has not been successful. “I am dying to sell my land to make use of the 20% profit in the bank, I am dying to sell it, when the economy improves this rate won’t be there, I really hope to make some money to make use of the 20%.” Hala later changes her mind and says that if she sells her land she would buy an asset that is “meaningful and of use”. Hala later in the interview decides to factor the safety of the country in the management of her finances. “Going after money is not my main concern, because I am proud to be in a country that is not falling apart”. Hala’s confusion goes on as she suddenly remembers the meaning of the land and feels bad about wanting to sell it but realizing it is an imperative to be able to afford life’s necessities. “The land is a land, a land is not to be sold, you don’t sell agricultural land, this is the heritage from your ancestors, by selling it then you are throwing away what they have done for you. But because of how expensive things have gotten and because of the increase in responsibilities because the country is not the same, people want to wear different things, go to different universities, and many want to travel abroad to learn, thus I want to have foreign currency to allow my children to live when they travel abroad, schools that were ok ten years ago, are not good now”.

Fadel on the other hand came to Cairo from Tanta to study dentistry, but did not succeed so he became a real estate marketer. Fadel now is boasting his private ownership of 20 feddans, “My origin is a peasant, the land is my origin, I came from the bottom of society, we had three feddans then, and I thought I was the richest man, Egypt (Cairo) to me was the dream back then”.

David Neilson in his account on “class, precarity and anxiety under global neoliberalism”, looks at the precariat proletariat whose insecurity stems from the absence of an alternative to the insecurity of the wage relation. He argues that “circumstantial precarity” is widely increasing in light of the present neo-liberal led global capitalism era, and is allowing a

²⁸⁹ A residential area in Cairo’s 6th of October region

“subjective shift from ontological security towards existential anxiety.”²⁹⁰ Neilson defines existential anxiety as a “mental unease induced by the self-reflexive perception of life’s precarious character, is intensified by the reality of deepening social and material precarity.”²⁹¹ Neilson argues that existential anxiety is an inverse relation to one’s everyday perception of stability, predictability and continuity of life or in other words, “ontological security”²⁹². While Hala is desperate to sell her land , Fadel is proud in having bought 20 feddans. Both stories however show us that feelings of safety and security in the end boil down to investments in land or property.

Mazen, who perceives himself to come from the middle strand of the middle class currently lives in a rented apartment and owns an apartment in a gated community on Cairo’s outskirts which he regards as his savings, and not as a source of profit making as he is not even considering renting it out. For Mazen, investing in real estate was one of several ways to keep his money and savings intact. When I asked Mazen if he would attempt to purchase another property, his answer was that he maybe would “but this has to do with me not being a businessman, I am not an investor looking for investment opportunities, I am looking for a place where my money is secure, I will want to make sure that the value does not increase, so I do not keep my savings in pounds”. Mazen stated that he as a person feels secure, even though that feeling of security was not related to his income. For Mazen, his family whom he described as his support system, was his main security pillar. According to him, the family support concept is not something that is particular to him, but is something that the “middle class strand typically enjoys.”

Based on a housing study of urban Egypt conducted by USAID the main reasons an individual would seek a new housing unit are that the individual is getting married (46 %); the present unit is too small (16 %); the nuclear family wants to live independently (10 %); the person is changing tenure status to ownership (9%), the person is changing tenure status to long-

²⁹⁰ David Neilson, 184

²⁹¹ *ibid*

²⁹² *ibid*, 185

term lease (6 %), and other reasons (12%)²⁹³. Nowhere in the study is investment mentioned. However, the distinction between purchasing a property for living as opposed to investing is not always a clear one and can often become blurred. Shaimaa's family who has purchased a unit in Porto October compound explains that her husband had initially bought it with some friends as a source of investment. At the time he did not have the money in cash, so he had to take an overdraft from the bank. A year ago, he decided to re-buy the unit on his own for his family to eventually move there, which according to Shaimaa had always been their plan "because life shifts, and this is also related to security, we are not sure if later on we can afford to buy something else". Even though Shaimaa's family currently owns the house not for investment purpose, Shaimaa is aware of its investment potential, where she adds "he bought this unit a year ago, but now he can sell it for triple the price, and people are buying with the triple rate." Over the past few decades, consumer-citizens have been called upon to view themselves as "investors", however there remains a "tension at the heart of the investment subjectivity being assembled here that blurs the line between household consumption and investment". Consumption too can be viewed as a form of investment and with every act of investment a wager on the possible profitability of the future is made, and thus it has become increasingly difficult to set it apart from the practice of speculation.²⁹⁴ This ambiguity is exactly what defines contemporary homeownership, which is a consumption good just as much as an investment asset²⁹⁵.

While most answers reflected my respondents' view that real estate is the safest sector for investment, I ask, how is it safe when in most cases people don't buy the real estate unit in one installment?

"Real estate prices never go down, Egyptians don't have a commercial sense, 90% of businessmen who invest in real estate don't have a commercial state, the market states that if demand decreases prices decrease, but for real estate in Egypt this does not happen. A building in Heliopolis is not sold, only one apartment is sold, but still he doesn't want to decrease the price, this is a certain belief, the

²⁹³ "Housing Study for Urban Egypt", *USAID* (2008): xiii
file:///C:/Sources%20for%20thesis/USAID%20egypt%20housing%202008.pdf

²⁹⁴ Fiona Allon, 372

²⁹⁵ *ibid*

concept of waiting it out, they say the apartment does not eat or drink, it does not cost me anything, these are Egyptian ideas that are sterile, and they are passed from one generation to the next.”

The second reason is based on Egypt’s economic context, noting the stagnant Egyptian currency, which has led many to decide that putting money in an asset is better than nothing at all. Mazen for example states that with a worthless currency such as the Egyptian pound, people are constantly trying to transform their money into other things where its value would not decrease such as real estate, gold, small projects. For him though, real estate became the choice for investment.

While several respondents described the increase in real estate investments as “illogical”, particularly when looking at the huge and increasing economic gaps and the percentage of citizens below poverty line, they also seem to understand the logic and reasoning behind this illogical manner of real estate development. “Nothing is working in Egypt, this is the only sector that seems to be working”, explains Shaimaa. She adds, “This is a phenomenon which reflects that there is a significant percentage of Egyptians who do not know where to place their money.” David Harvey links capital accumulation to the structure of urban land markets. He explains that the commodification of space is perpetuated through the flow of “productive capital” into a spatial fix for capitalist crisis, which is real-estate investment- that which forces space to become a source of accumulation rather than allow place to function as a source of living²⁹⁶. Shaimaa continues, “My point of view is that people have too much money and do not know what to do with it, and those people are the ones who used to open factories, produce for the country, and now they cannot because of the country’s status, so they invest in real estate, So for example, there is someone in Porto who bought 10 villas next to each other, 10 villas, and he is not even famous, he just has a lot of money, of course for him to buy that it must mean that he has more money in the bank.”

Egypt’s economic and spatial development has been mostly construction-led, with projects in many cases replacing policies²⁹⁷. Investment is tied to the simultaneous achievement of personal and economic growth, both of which are inseparable in the actions of subjects who

²⁹⁶ David Harvey (1985): 7

²⁹⁷ W.J Dorman, 1587

actively create opportunities for their own self-care, security and personal responsibility. Rather than moral bankruptcy or irrational herd-like behavior, ‘investment appears as the most rational form of saving.’²⁹⁸ Foucault argues that financialization goes beyond constituting a set of activities which are tied to global capital markets, but it is also an “ontological question of what it means to be human and can be seen as a mode of subjectification and a technology of the self”²⁹⁹. Risk accordingly becomes a way of life and invites a kind of being and goes beyond making a calculation or a way of knowing³⁰⁰.

4.3 The role of advertisements

Real estate advertisements in the past few years have played a major role not only in widening the societal gap through provoking millions of Egyptians who are unable to afford a single installment of the advertised units, let alone an entire housing scheme, but more significantly on capitalizing on the idea of home ownership as synonymous with secure investment and trading amongst citizens. A tagline for a campaign for a residential compound in 6th of October reads, “Because not anyone is allowed to live in Life Park, we interview people before they can move in.” In another ad for a compound in Ras Sudr, the tagline reads, “Life is so much better when you find people like you”, where “like you” indicates socio-economic level, which has become the selling point of most real estate ads³⁰¹.

“If the price of a unit is good and we are able to sell it to him, a man can literally sell his wife’s gold to buy it”- Dalia, Amer Group.

Such a statement in addition to reflecting desperate measures which could be undertaken to own a house in one of the new housing schemes, also reflects the power and authority held by the developing company over a client. The marketer here is certain that a client can and would go out of their way to buy if the company is able to sell the unit right. The marketing factor hence

²⁹⁸ Paul Langley, “The everyday life of global finance: Saving and borrowing in Anglo-America” (*Oxford University Press 2008*):47.

²⁹⁹ Fiona Allon, 374

³⁰⁰ *ibid*

³⁰¹ Dan Azzi, “The Invisible Claws: Are Real Estate Prices Killing Arab Economies?”, *Raseef22* (2017) <http://raseef22.com/en/economy/2017/05/10/invisible-claws-real-estate-prices-killing-arab-economies/>

becomes a key factor contributing to the decision to invest in real estate. With a dedication to seducing citizens to direct their focus towards visions of ‘Westernization’ and ‘modernity’ through their promotional material, real estate marketers have become widely successful in “re-shaping one’s spatial perception of the urban cityscape”³⁰². Such a perception was strongly adopted by Dalia who attributes the decision to buy or invest in a property primarily to the success of the marketing campaign. When I asked her why she thought a man would sell his wife’s gold to buy a unit, her answer was the ad tagline, “because the ad said: your chalet is your project , Porto will rent out your chalet for you and provide you with a monthly revenue. It made him feel that if you buy this unit I will secure your future for you.” Dalia emphasizes that the marketing campaign is what matters at the end of the day. Developers are able to identify what appeals to consumers the most and accordingly design the ads through manipulating this knowledge for the maximum benefit³⁰³.

“We tell him that we will sell him a lifestyle, a place where you would not need to leave, all services included, everything is walking distance from your home, this is how we sell”- Dalia

Mazen, also points out to the marketing factor as an instrumental one in the decision to buy. He describes the marketing of the new housing schemes as one that is “classist”, and regards this classist way of advertising as actually what sells the units. “This classist marketing gives the buyer/investor a message that he would be living amongst a certain social class, that he would be treated in a certain way, that he would have services the government itself does not give its citizens such as private security.” In a study conducted on the role of advertisements in the marketing of new gated communities in Cairo, significant emphasis was placed on how wittingly developers promote their commodity where, “they do not sell a house, but an entirely new life-style”, where the communal nature and the high prospects of finding like-minded and same class friends in the compound is strongly marketed³⁰⁴.

Dalia mentions that in Porto they launched a campaign that was titled, ‘*your installment starts at 3000 LE*’- “people came like retards to buy, I am not kidding”, she explains, “if he had

³⁰² Rana Tawfiq and Yasser Mansour, “The Role of Advertisements in marketing of gated communities as a Western suburban lifestyle: a case study of Greater Cairo”, *Journal of Housing and Built Environment* (2012):506

³⁰³ Ibid, 507

³⁰⁴ Ibid

calculated it he would have realized that offering the installment for 3K means that I am taking interest, not because I am telling him I am not hoarding interests then I am not really taking interest, he is a retard and believed that it was that cheap, I am taking the price of the unit in the first two years, the rest is merely interests that you are paying off- the whole idea is about the number you tell your clients. “

In addition to “selling a life style”, Porto also plays the investment card, where some of their projects have investment potential as their market edge, which they capitalize on. Dalia gives an example of a project they have in front of the American University in New Cairo, “We told the client, buy the apartment and I as Porto will rent it for you and will give you 80% of the rental value, and those who bought it for a million, today will sell it for 2.5 million.”

When I went to visit the cityscape convention, an annual happening which features the bulk of Egypt’s real estate developers while marketing their projects, I expressed hypothetical interest in one of the compounds which went by the name *Pyramid Hills*. The salesman was keen on communicating the following details to me in his presentation:

“We have a contract with Gourmet the Supermarket, but we are still not sure”

“Sawiris’s house is inside- he comes two times a week”

“We don’t allow anyone to live inside the compound, the social standard is of extreme importance- the community must blend in together”

“We go through a screening process to ensure a certain standard is maintained”

“The condos start from 4 mm”

Me: “Are there any cheaper?”

Man: “Yes, but they don’t have a pyramid view- they are for the people who simply want to exist inside the compound.”

Pervasive lifestyle media and consumer cultures is underpinned by an investment logic which not only promises future beneficial rewards, but also the “prospect of pleasure through returns”³⁰⁵. In the everyday spaces of society, individuals are pushed to take control over their own economic lives and equip themselves with entrepreneurial capacities that would allow them to take rational decisions for “selling their homes as assets, and source of income for consumption”³⁰⁶, and lifestyle media plays an increasingly crucial role in this process. Akhil

³⁰⁵ Paul Langley, 47

³⁰⁶ Fiona Allon, 377

Gupta argues that representations of the state are constituted, contested and transformed in public culture. Mass media thus becomes one of the mechanisms of public culture which brings about the visible practices of institutions such as the state. I argue that the marketing and advertisement of gated communities in Egypt act as an embodiment of the transfiguration of the neoliberal state and its withdrawal from its welfare duties, namely its role to provide decent and adequate housing.

“I feel disgusted and I just change the channel automatically, for an ad to be successful it shouldn’t make me feel disgusted about my life, I sit in public transport all day long and you come and tell me that my life sucks portray the city as a monster and tell me to live in mountain view, the ad tells that the word is lovely and pink and to come and buy and I don’t even have the money to walk to the end of the street, they are really provocative, they need to create channels to this certain particular niche and should lock them so that we don’t see them, just like they gate their communities, we don’t want to see them (laughs), we just want to leave this country.”

With the bombardment from the media, the ease of bank loans, the advertisement industry, the rural dreams of ownership and the absence of the role of the state, the responsibility is put on the citizen and not on the state to pursue a good life. The state here exempts itself from any responsibilities to provide adequate housing and through the intermarriage of the state and private interests, the dream is sold but with a price tag. You can live that life too if you take an overdraft from the bank and put yourself in debt. In 1991 in Egypt with the advent of structural adjustment programs, a new form of “human rights” came to existence and that is the right of “credit” and the right to be in debt. Instead of finding solutions through welfare, better legislation or actual development, development schemes focused on programs that give “credit” for people to own a home, start a project among other ideas under the umbrella of empowering the poor, however what this does is put the responsibility of “the good life”, the “home” and “security” in the lap of the private citizen. Lifestyle consumer culture has become a “quintessential technology of advanced or neoliberal citizenship”³⁰⁷, where the citizen feels obliged to be privately empowered in facing a deregulated economy. This manifest the paradox of security of investing and home ownership while simultaneously being constantly in debt.

³⁰⁷ Ibid, 378

The global trend towards the commodification of housing has greatly affected the enjoyment of right to adequate housing. The focus on speculative investments in prime locations in city centers and the construction of high-end gated communities on the outskirts of Cairo immensely affected the affordability of housing. Further, the integration of the housing market within the ‘general circuits of finance’ have meant the presence of competition between multinational corporations and individuals over land locations, whose outcome is probably known³⁰⁸. The proliferation of gated communities or ‘enclaves’ to house the upper middle and upper groups is the natural consequence, while conversely pushing those who are unable to afford even social housing which in most cases is far from their livelihoods, and lacks or has poor basic services. Looking at Cairo’s top-down model of urban growth -which failed to engage with Cairo’s actual growth patterns exemplified in the new desert cities and which culminated into the luxury gated communities model- has become diagnostic of how Cairo’s citizens were actively denied full urban citizenship.³⁰⁹ The expansion of Cairo’s outskirts and the new gated communities which offer its inhabitants promises of beautiful scenery and greenery as well as good services and decent roads, has been complemented by the deterioration of basic services in the city itself- including sewage, water, garbage and road maintenance. Amina, narrates her feelings towards the shape of urban Cairo, where she describes the building of the new cities leading to the ghettoization of urban Cairo, which has effectively become divided between the gated communities and the ‘ghettos’. “Every once in a while you would see this ghetto where the rest of the people reside and are looked upon as the dogs who are too low to go inside those gated communities, those communities are for the rich, and if you go inside any of those compounds you will find the apartments empty”. (Amina)

Dorman proposes that we look at Cairo’s trajectory in a context of a resiliently authoritarian political order, where its planning ethos was largely aimed at fulfilling the increasing state capacity more than the privatization of public assets and institutions ever did³¹⁰. Amina lives in one of the social housing projects. Before living in the apartment

³⁰⁸ W.J Dorman ,1063

³⁰⁹ Ibid,1601

³¹⁰ Ibid,1602

there were squatters in her apartment. When I asked her why she thought the squatters inhabited her apartment instead of the empty villas, her answer was, “those who own those villas are supported by the state - but our apartments are government apartments and are usually inhabited by government men - when you would pass by one of al Rasheedy’s³¹¹ villas you would hear his dogs and go running”.

Cairo’s urban logic should then be associated with an exclusionary nature of formal sector urbanism, which was visible in the Nasserite era, well before Egypt’s economic opening in the late 1970s³¹². Mazen, a human rights lawyer, gives a picture of Dorman’s theorization, “there was this phase/stage that we dubbed as the plastic phase; where we referred to the luxury buildings particularly the architecturally unique ones to be licit to the businessmen to do whatever they wanted with them. It is very easy for you to close your eyes and open them to find those buildings torn down and replaced by ugly towers, in Egypt we suffer from architectural ugliness, and this says that the state does not care about what the country looks like. If you go towards the outskirts, there is a case of ugliness that is illogical, and it has to do with poverty and the fact that it is a loose state that only cares about political security, a tower of 13 floors that can fall the next day is less important than three guys protesting unemployment in the streets. It doesn’t matter the shape, not the security, nor the height, nor the laws, nor the lives of the people, what matters is getting the most money we can- making use of how poor the people are and the easy terms of payment we offer them.” Mazen compares the low-income on the outskirts to the high-income on the outskirts, where he refers in particular to the architecture of the high-income housing as “nice architecture”, yet what he alludes to is that a distinction is created between the different classes in the architectural style in which they are allowed to live. “Who has money will live in a fancy nice-looking place, and who doesn’t have the money will live and die in an ugly place”. “Without government regulation”, he adds, “it becomes easy to get a land and even easier to build in whatever way anyone wants”. He then concludes, “the capital will not think about how to accommodate to your needs, the most important thing is making money.” Dalia, who works as a marketer in Amer Group explains that there is no regulation from the government on what developers do, “everyone builds what he wants the way

³¹¹ Al Rasheedy is one of Egypt’s real estate tycoons

³¹² W.J Dorman, 1602

he wants it, no rules or regulations”. She continues that even the ads for the compound lack regulation and monitoring and everything is done with ‘kosa’ or bribery, “I can do an advertising for porto ‘chicken’ and there would be nothing of the sort.” Nonetheless, Dalia explains that even though everyone works legally for the government, everything ends up happening under the table indicting the potential for indecent action and twisted ways to finish off things.

The production and consumption of security commodities such as luxury housing in gated communities in addition to creating aesthetically ‘pretty’ spaces of consumption for upper middle and high-class residents, also created spatial dynamics of exclusion giving rise to new forms of ‘consumer citizenship’ and identity politics³¹³. Caldeira, in her account of walling and segregation in Sao Paulo, talks about the gated communities where she describes them as “fortified enclaves”³¹⁴. She talks about how those enclaves have effectively altered the “city’s landscape, patterns of spatial segregation and the character of public space and public class interaction.”³¹⁵ The following is an excerpt of Caldeira’s description of the ‘enclave’:

They are physically demarcated and isolated by walls, fences, empty spaces, and design devices. They are turned inward, away from the street, whose public life they explicitly reject. They are controlled by armed guards and security systems, which enforce rules of inclusion and exclusion. They are flexible: because of their size, the new technologies of communication, the new organization of work, and security systems, they constitute autonomous spaces, independent of their surroundings, that can be situated almost anywhere. As a consequence, although they tend to be spaces for the upper classes, they may be sited in rural areas or on the old periphery, beside favelas or auto constructed houses. Finally, the enclaves tend to be socially homogeneous environments. People who choose to inhabit these spaces value living among selected people (considered to be of the same social group) and away from the undesired interactions, movement, heterogeneity, danger, and the unpredictability of open streets³¹⁶.

³¹³ Choon-Piew Pow, “Consuming Private Security: Consumer Citizenship and Defensive Urbanism in Singapore”, *Theoretical Criminology* (2013):181

³¹⁴ Teresa Caldeira, “City of Walls: Crime, Segregation, and Citizenship in Sao Paulo”, (*University of California Press, 1992*):258

³¹⁵ Ibid

³¹⁵ Engin Esin, “Citizenship in flux: The figure of the activist citizen”, *Politics and International Studies* (2009)

³¹⁵ Teresa Caldeira, 258

³¹⁵ Chantal Mouffe, “The Democratic Paradox”, *Verso* (2000) :95

³¹⁵ Ibid:96

Citizenship entails rights (civil, political, social, sexual, cultural) and obligations a citizen has in relation to the state,³¹⁷ the state and the citizen has both rights and obligations. Engin Isin expands the definition of the active citizen in which there are different sites and scales in which citizenship can be practiced and negotiated. In this context, citizenry is not a right but a luxury afforded to those who buy their way into it. The pursuit of a good life is not just living with green spaces, but also in having a say in neighborhood affairs. In having your voice heard by the company, in having an opinion to what color the pavement will be painted and what decisions the home owners will take. Practicing your basic right as a citizen in the city of Cairo is thus only possible when you quite literally buy your way into it.

In her critique of the current democratic theory in tackling the citizenship question, Chantal Mouffe argues that the conception of individuals as ‘utility maximizing agents’ or ‘rational subjects’, has encouraged the privatization of life through discouraging the active involvement of citizens in polity engagement. She argues that contrary to the announced secured stability as an outcome of this conception, what resulted was “extreme forms of individualism which threaten the very social fabric”³¹⁸. She concludes that as a response, may would look for different forms of collective identification, which can jeopardize the “civic bond that should unite a democratic political association.”³¹⁹ Here, we can think of practices of accumulation as not just contributing to inequality, but how they are related to democracy.

Gamila, one of my respondents who works as a tour guide and resides in Al Agouza district, talks about how Cairo’s urban policy is led by a mafia and network of interests, “urban planning is not even there, because it is not in the mafia’s interest. Their interest lies in having the concrete expansion go on, and we are all paying its price, the people who inhabit the city are suffocating, and economically it is a disaster because the market is unregulated so there is no way of knowing the price in the supplied market, it is fixed money in cement, so economically, and aesthetically and investment-wise we have failed.”

Central to the citizenship factor and the exclusion of citizens is the promotion of consumer markets and particularly the housing commodification and consumerization led by the economic liberalization policies are their marketing and advertisement agents. The proliferation of television advertisements and outdoor ads for gated communities which aim to seduce people to embrace this “new life” plays on the people’s fantasies and sensibilities and hence their desires³²⁰. The ‘economy of anticipation’ which we live in entangle orientations to the future, and shapes “relationships of power, consent and struggle”.³²¹ The liberalization of the housing sector has led to an “abundance of futures”, which creates spaces for the mobilization of hopes and doubts. Large infrastructure projects such as gated communities and new cities makes for new ways of “knowing about, imagining and living toward the near and distant future which converge with particular intensity”³²².

“You can live a good life in Egypt but unfortunately you need to be very rich to afford living in Zamalek or one of the new compounds”, narrates Hoda, an Egyptian-German citizen who had told me about her suffering in navigating the streets of Cairo. Hoda currently lives in a prestigious area in Mohandesin, an upper middle class neighborhood, yet she tells me that she is severely unhappy and wishes to move away.

4.4 Perceptions on those who buy and sell for a living

“My point of view is that people have too much money and do not know what to do with it, and those people are the ones who used to open factories, produce for the country, and now they cannot because of the country’s status, so they invest in real estate”.

When respondents were asked about their perceptions about people who buy and sell for a living or in other words, the speculators, most of them said that objectively they have a problem with the concept, but that it is nonetheless understandable and reasonable in light of the country’s context. In an article on the economy of speculation, Jorge Nunez suggests that the

³²⁰ Teresa Caldeira, 263

³²¹ Jamie Cross, “Economy of Anticipation: Hope, Infrastructure, and Economic Zones in South India”, *Comparative Studies of South Asia, Africa and the Middle East*(Duke University Press, 2015):435

³²² *ibid*

“clinical economy of speculation” which he links to the onset of credit and debt based economies, has now become extended to the general population³²³. In his article he argues that the common speculative practices in Spain were viewed as risky and unsafe when they were performed by people instead of banks³²⁴. In Egypt, those common speculative practices have become normalized as a way of adapting and responding to the workings of the economy and the government’s housing policies.

“My uncle had a mall 10-15 years ago that wasn’t that expensive to build, now he sells the shop for a million pounds, why a million, why all of this, what did he do to earn it?” (Amina)

Despite Amina’s complaining of the unfairness of the property market in Egypt which she illustrated with her uncle’s example, she realizes it is not her uncle’s fault and that in the end it is a projection by those in control of the market price.

“As I was telling you about my uncle, he does not deserve it, but he does deserve it given the law of the country, those are the market prices, this is capitalist market, but at the same time it is run by the government, so only the witty ones are the ones who can get by during this time, but who is walking by the wall will be eaten alive. I have an aunt who bought lands on the outskirts of Madinet Nasr, the next day the land was legalized, and she sold it 4 times the price she bought with, so she sold to buy other pieces of land, but she had known that they would be legalized. That is the market or the place for the shrewd, that is the capitalist market and unfortunately the government is running it.”

Notwithstanding Amina’s belief that living and profiting and selling contributes to a government-made black market and would contribute to inequality, she also states that given the opportunity she would do the same, “not because I want to participate in it, but because this is what my social circumstances would dictate, I need to have money to treat my brother and mother, change my car, I need to get my mother an air-conditioned car.” Amina adds, “why would I would work hard in this country? This is not a country where your work would pay off, now for example the work I do I would receive more than double what I get if I work it elsewhere. This is not a country that prompts people to work and improve his talents and capabilities, the society is now a capitalist market, run over your son to move up the ladder, this

³²³ Jorge Nunez, “A Clinical Economy of Speculation: Financial Trading and Gambling Disorder in Spain”, *Cultural Anthropology* (2017):273

³²⁴ *ibid*

is what everyone is doing now, so for example if my uncle sees a piece of land with a good price that he knows would be good for me, he would keep it to himself, so even the people changed with each other, and these are the ordinary people so what do you think would happen with the big guys.”

Hala, however expressed no understanding of the stance of speculators and expressed how problematic this phenomenon was for her. “People don’t want to make an effort, they want to find ready made money, this is a crisis that fell upon the country, no production, this is the main reason the economy fell as it does not promote the country’s productivity. I wish to see people invest their money in factories that produce like in the old days before nationalization; we have nothing, we import everything, our country would be different if the youth’s energies were placed in useful things.” When I asked Hala if she thought people were justified to do that, she gave a clear no for an answer and described them as “selfish”. However she continued saying “but the wrong policies led them to become like this”

When I asked her what would she do if she had millions to invest, she said that she would open up a factory if she could, however she continues by saying, “but people are complaining about Egyptian labor.”

Hala, who has previously stated that she isn’t after money because it is more important to be in a country that is safe, finds her instinct telling her to place blame on the people. However we find her answers often contradicting this blame, such as “but the policies” and “but the Egyptian labor are...”

Gehad, one of the respondents finds no problem whatsoever in the work of speculators, and for her it is regarded as completely normal, “Why not? It’s not wrong. I buy a house with a long-term vision that it will increase in value and when it’s a good time I sell it.”

In his work on speculative accumulation in South Africa, Detlev Krige looks at how gambling which has for long been regarded as a business and livelihood strategy for those living at the margins of state under apartheid, has now come to occupy an integral position in the system’s inner workings and how financial capitalism works through what he dubs “making money with

money”.³²⁵ The Comaroffs describe the new forms of speculation and financial risk as crucial to the growth of finance capitalism where, “It has been routinized in a wide-spread infatuation with, and popular participation in, high-risk dealings in stocks, bonds, and funds whose fortunes are governed largely by chance”³²⁶.

Fiona Allon argues that instead of looking at the financial crisis in terms of financial excess, speculation and fraud, there is a need to reflect on the crisis as one that is cultural, by looking at how the practices of investment and calculation within everyday life have become normalized³²⁷. This normalization is reflected in the creation of the ‘citizen-speculator’ figure, who is now expected to look at housing as an object of speculation and a site of accumulation that would provide future welfare instead of present debt³²⁸. Again, with the growing calls for individuals to secure their livelihoods and independence through financial markets rather than through the state, practices of investment and speculation have become normalized instead of being associated with financial distortion³²⁹.

4.5 On working in the real estate business

“The most important thing is money then money then money” – Adel, salesperson from SODIC³³⁰. Upon graduating from political science in a reputable university, Adel decided to make real estate sales as his long term career after an unhappy three months working at Egypt’s Central Bank, and because of how lucrative it is to work in real estate. We as sales are the most important component in the company, we have input in the company’s strategy, as the company’s capital is its sales, the people in other departments are unable to talk to us because they realize we are above them”. Adel explains the brutality of the selection process for an infamous company like SODIC. He goes on, “when I went for an interview they gave me a

³²⁵ Detlev Krige, “We are Running for A Living: Work, Leisure and Speculative Accumulation in an Underground Numbers Lottery in Johannesburg”, *African Studies* (2011) :18

³²⁶ Ibid, 19

³²⁷ Fiona Allon, 366

³²⁸ ibid

³²⁹ Ibid,368

³³⁰ A leading real estate Co. in Egypt

piece of paper and told me to write down the names of all the people I knew, and then they would compare it the lists of people employed, if they found common names they would not hire me”.

Such brutality becomes even more apparent after one is hired, where a person’s employment becomes contingent upon the sales target. “If you don’t achieve your sales target you are put on probation and if you do not improve you are automatically fired”. In such a crazy competitive environment where colleagues often steal clients from one another, since their lives are dependent on making a sale, their employment is not alone in being dependent on making a sale, but their social life as well. Adel explains, “If you are a successful salesman, everyone in the company loves you, but if your ratings go down, they would dislike you overnight.”

When I first talked to Fadel, the broker, I noticed he would insist I would call him Dr. Fadel. I later learnt from him that he had graduated from the School of Medicine, but had decided to leave the entire career to work in the real estate business instead. “Life conditions were hard, wages were very low, particularly in the past, it was very hard to get somewhere, it was a conscious decision for me to get into real estate marketing, we wanted to make a living, my friends and I decided, we wanted marketing”. Fadel has been owner of his real estate marketing company for 30 years now. His business grew quite successful even though Fadel admits to never studying marketing. Fadel explains that almost 10% of his class never pursued a medical career and adopted business careers instead. He recalls his experience as an excited medical student who is new to Cairo, “When I went to Cairo to apply for dentistry I took a cab and I knew nothing about Cairo, I was excited that I was going to be let go from the manual work and start working from theory, but mind you, graduation is the rock that breaks 90% of the youth’s backs if they are not supported by their families, I don’t leave my son now, when I graduated my wage was EGP 90, I couldn’t live or cope with the needs of life .”

The transformation of waged-workers into “the active entrepreneur” is a result of the flexibilization of the employment relation. Standing points to the rise of a new group of ‘proficians’ who are leading small and medium knowledge-based capitalist firms and who were initially locate amongst knowledge-worker turned entrepreneurs³³¹, where again the

³³¹ Ibid, 190

responsibility of the pursuit of a good life is placed on the “business owner”, the “flexible worker” and not the waged employee. Foucault refers to the homo oeconomicus as a figure that reappeared powerfully within neoliberalism, but instead of being a “partner of exchange”, “he is an entrepreneur, an entrepreneur of himself³³². ”

³³² Michel Foucault, “The birth of biopolitics: Lectures at the College De France 1978-1979” (*Palgrave Macmillan 2008*): 226

Chapter FIVE

5.1 Conclusion

In Egypt, it is difficult not to notice the pervasive power of the real estate industry. In almost every street and highway, you would have to bump into a fancy looking advertisement that promises you a happier life with better prospects for almost every aspect of life. Not only is the real estate industry pervasive through the advertisements and marketing campaigns, but its pervasions has extended to our personal aspirations, dreams and fears in our daily lives. With gated communities on Cairo's outskirts developing at an accelerating rate, and Cairo's capital deteriorating at an even faster rate, the hope of moving to one of those 'dream' communities is certainly becoming more real and more hitting home. My interest in this research was triggered by observing those everyday questions, conversations, hopes and fears. In almost any family gathering, real estate investment would be one of the main topics on the table, where family members would compare offers from different developers to see who has the best deal and future investment potential. Arguments would also arise over selling family inherited lands in order to place the money in a better investment opportunity in a project on the outskirts of Cairo or in Egypt's North Coast. I think the power and impact of the industry hit me the most when I was celebrating a friend's 24th birthday party at her house, only to find the main conversation in the party to circulate around real estate investment and where the best spots to invest are. Friends of my friend who were in their early twenties and who were not related to the industry through direct employment seemed to know the details of the industry, the trends of property increase, and offered each other advice on cheap land to invest in that they 'expected' would increase in the future. The ongoing conversation was divided between people who lived in Western Cairo and those who lived in the East, with each party defending their territory and its 'new cities' (6th of October in the West, and New Cairo in the East). I felt it to be an extremely eerie conversation to be had only to realize that it has become a natural concern and embodiment of our everyday lives.

What I aimed to investigate in this research was how such a concern has become naturalized and how it has come to hold an integral position in our lives, and how in effect does this extend to the making of today's subjects. I started off by looking at the legal framework in place from the 1950s until the present, which was characterized by inconsistent policies that put in place a succession of rigid control rents that eventually prompted people to rent out their units causing a housing shortage for low and middle-income groups. With the enactment of economic liberalization policies in the early 1990s, rent restrictions were removed and the state withdrew its support from middle and upper income housing leaving it at the hands of private developers. I then look at the political roots of land speculation where I focus on how the military's hoarding of most of Egypt's lands since the 1967 war was a source of wealth and power for them. In addition, with the realization of the potential of land for speculative investment and the high returns it brings, private investors were also competing over strategic land locations to be used in speculative purposes or for investments in the build environment. In general land speculative investments contributed to the aggrandizement of the elites since the 1970s³³³. I maintain that contrary to what is suggested to be the effect of neo-liberal policies on the retraction of the state in favor of the market, the state was never absent from intervening in the housing policies, where it instead played a central role in the process of commodification and financialization of housing, in effect maintaining the neo-liberal dominance³³⁴. While Harvey describes the accumulation of capital through investing in the built environment as a form of fictitious capital, the resulting precariousness of the housing conditions and the homelessness and damage which actually occurred to the lives of the people suggest that such capital is not at all fictitious but very real in practice³³⁵. Interviews with private property developers showed the state to be holding a tight grip more than ever, with developers complaining of land scarcity to have resulted from the state being the sole land controller and deciding to offer land to investors at over-market prices which as stated by the largest real estate developers gives them no chance to accommodate to the middle-income housing.

³³³ W.J Dorman, 1588

³³⁴ Raquel Rolnik, 1058

³³⁵ *ibid*

In the third chapter I look at the economics behind the real estate market, through looking at the global role played by the banks in financing real estate and in the commodification of housing. I then look at the banking sector in Egypt and how at the onset of the liberalization of the banking sector, access to credit was offered primarily to figures who were politically “well connected” which effectively denied other ‘entrepreneurs’ in developing their private businesses. The access to credit enjoyed by the ‘elites’ allowed them to establish investment banks directed at the investment of real estate. In the last part of the chapter, I claim that citizens are being called to “include” themselves in the country’s financial market, either through credit cards, real estate investment funds or finance mortgage schemes. I attempt to look at the spatial dynamics of exclusion and the expansion of private property which resulted from the commodification of housing, and which are embodied in the ever-increasing gated communities on the outskirts of Cairo. I once again look at the role of marketing in triggering the material and symbolic desire for purchasing a property, which plays on the whims and imaginations of citizens through shiny promises of a better life. However, to achieve this better life and services entitled to any citizen, you need to buy your way into this citizenship, where respondents perceive that living in a gated community would give them this semblance of citizenship whether by achieving a basic right such as ‘security’ or an economic right such as the right to take a loan. Again, while this ‘enclavizaion’ may provide this feeling of security for its inhabitants, there emerges a relational feeling of insecurity in the rest of the city, who would be at a disadvantage for not having the material and symbolic benefits granted automatically by virtue of being a citizen in one of Cairo’s new housing schemes. While material benefits include better material services such as infrastructure, sewage, roads, etc..., symbolic benefits extends to the feeling of security and alleviation of uncertainty.

In the fourth chapter I talk about perceptions of middle and upper middle-class citizens towards property ownership and real estate investment and why they themselves invest in real estate. In general respondents stated that investing in real estate was the most secure form of investment for them which they would prefer over the placing their money in the banks or in projects. Some respondents in particular expressed their

opposition towards investing money in projects due to failed experience with projects themselves. In fact, they argue that most capital of real estate companies used to be directed to factories (productive sectors) before becoming hindered by the socio-economic policies in place. I attempt to show the paradoxical nature of the concept of buying for the achievement of security, for through buying you achieve the dream of homeownership, but you are also constantly in debt. I look as well at the role of the marketing industry in the production of the feeling of the 'need for security' through ownership, as well as how marketing campaigns are now directly playing on the investment desire through promoting their home projects as projects for the citizens to invest in. Most respondents seemed to be aware and cognizant of the country's economic context and in return their conscious decisions to place in real estate instead of any other sector. I argue that the trust in the real estate sector was manifested the most during years of the revolution, which unlike other sectors which were severely hampered, real estate was not only unaffected but also witnessing incredible increase in investment and thus expansion. Hence through my interviews with my respondents I try to show how through looking at a sector like real estate and the play on the individual's imaginative real through the marketing industry, one can understand more about the making of the neoliberal subject and the ways through which he becomes responsible for one's self to achieve his own security.

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