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**THE HOUSING POLICY AS MEANS OF THE
ORIENTED INVESTMENT**
**“An Approach to Develop the Occupation Rate in the
New Towns”**

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ABSTRACT:

Housing availability and quality is an indicator of progressive development in a country. However, now in Egypt, the supply of housing exceeds the demand, which means a real state stagnancy. Even though, the housing units' prices still not affordable by the majority. Further more the units' prices escalate in some classes. It has been suggested that the social aspects is a main factor that such demand.

Thus this study suggests that the current investment policy (the supply) may not represent the people's social requirements. So, studying the percentage of each housing class would redirect the investment towards better occupancy rate in the new towns.

The paper adopted the analytical comparative **methodology** for the existing occupancy rate in the new towns. Hence, the percentage of houses classes could be reconsidered according to existed and expected occupants' needs.

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INTRODUCTION:

No doubt that occupants is one of the most important factors in the new communities clusters. Thus the phenomenon of vacancy of such new community clusters considered a negative outcome that directly affect the development, specially regarding the attempts to get off the narrow Nile valley.

There are many reasons caused that negative outcome, such as the shortage of services and transportation and other desired attraction factors.

Thus, this research hypothesizes that the investment orientation policies for different housing classes don't match the real needs of the occupants. To prove this hypothesis, this paper adopted **the deduction method** to understand the applied housing policies in those new towns, then **the field analytical and comparative method** for the current situation of occupancy rates of different housing classes in new towns. By identifying the percentage of vacancies and studying the reasons that caused that phenomenon the research would conclude an effective policy to reorient the investment of the new communities, and refresh the real estate market as well.

Therefore, the study will be limited to the effect of the targeted housing policy on occupancy rates for each class of the new communities housing. The research doesn't involve in the factors that lead to issuing the current policies.

OCCUPATION RATES IN NEW TOWNS:

After October war 1973, the government directed a great attention to habitation programs. The political leadership announced a new strategy to redraw Egypt plan. On 1978 the president issued a law to put the Ministry of Housing (General Organization for Physical Planning – G.O.P.P.) into charge of supervising of new towns construction [1,p.1].

In spite of issuing the law no. 59 issued on 1979 in the matter of construction of the new towns, to redistribute the population by having new attraction areas out of existing towns and villages [1,p. 2], The Occupation Rates in the constructed new towns only attracted about 10% of its full capacity, (see table 1), the population number of the new towns reached about 268000 Inhs. by 1996, distributed as follows:

50,000 in 10th of Ramadan town, 100,000 in 15th of May town, 75,000 in 6th of October town, 16,000 in Al-Sadat town, 10,000 in Borg Al-Arab Al-Jadeedah, 11,000 in Domyat Al-Jadeedah, 6,000 in Al-Salheyah [2, p:685].

No doubt that the slow growth of the Occupation Rates in the new towns have its negative effects on the national development. Thus the investments oriented to other options that could be more beneficial to the capital cycle, such as informal area (Ezbit el-Haganah – the 4.5 klm) where the building towers of medium class housing that could reach 14 floors without services and infrastructure, etc. [3]

HOUSING POLICY AND ORIENTED INVESTMENT SYSTEM:

The housing problem is one of the critical problems that may obstruct the development in Egypt. Furthermore, housing problem affect different community sectors, that differs socially, culturally, and economically [4]. Hence the variety of the required housing classes should match that variation's needs. That could be achieved by identifying the required percentages of each class that expected to be settled in a specific area, and then encouraging the investment towards that targeted expectation. An over all perspective should be established to lead different housing sectors' mechanism to encourage the investors towards achieving targeted housing policies.

Table 1 the population capacity of the new communities after 30 years

Town	Site	Gross area klm	Urban(Built) area klm.	Capacity (1000inh)	Population-1996 (thousands)
10 th of Ramadan	Cairo / Isamilia road – 55 km from Cairo	388	56	500	50
6 th of October	28 km from Cairo down town – Its main entrance in 25 th km Cairo/ Alexandria desert road	104	52	500	75
15 th of May	Masr / Helwan road – East of industrial Helwan out of the polluted zone	35	48.5	250	100
Al ameraya Al Gadeedah	60 th km west of Alexandria – 7km away from the sea	220	48	500	
Al-Sadat	93 rd km Cairo / Alexandria road	200	18	500	16
Al-Salheyyah	6.5 km north of Al-Ismailiah canal	19.3	-	70	6
Domyat Jadeedah	Al- 4.5 km west of new Domyat port	171	-	270	11
Al-Obur	Cairo / Bilbais desert road	42	56	477	
Badr	46 km desert Cairo / Suize road	-	52	430	
Bani-Swaif Al-Gadeedah	Al- East of the Nile on Cairo Elmenya road	39.9	-	90	

Reference: [1], [2]

To approach the problem, it has been suggested dividing the housing study into 3 major factors: Socio-economic groups, Developers, and Finance & subsidy. That classification is applied in Al-Ameryah Al-Gadeedah on 1978 – 1979, and developed (to other three categories: Socio-economic, Housing supply and authorities) in the 15th of May's extension studies (1980), and Al-Amal and Badr towns as well [5], Figure 1 shows the housing studies method in the new towns using the housing system. In this system, the occupants divided into their classes and identifying those classes sizes. Afterwards, identifying the authorities that supply the houses and expected activities, to achieve the balance between the targeted and the existing situation.

The new towns' housing systems vary according to residents' classes that depend on some criteria such as: the house type, income, profession, and the cultural level, ..etc [5]. According to that the housing classifications would be ranged from economic, middle class, over middle class down to extremely low class, limited low, changing low, middle, changed, high, luxury, and other classifications that may differ or match in identifying the criteria that control housing classifications. All that classes should be implemented in a way that meet the segregation of residents' classes to be located in the new communities, and each class percentages as well.

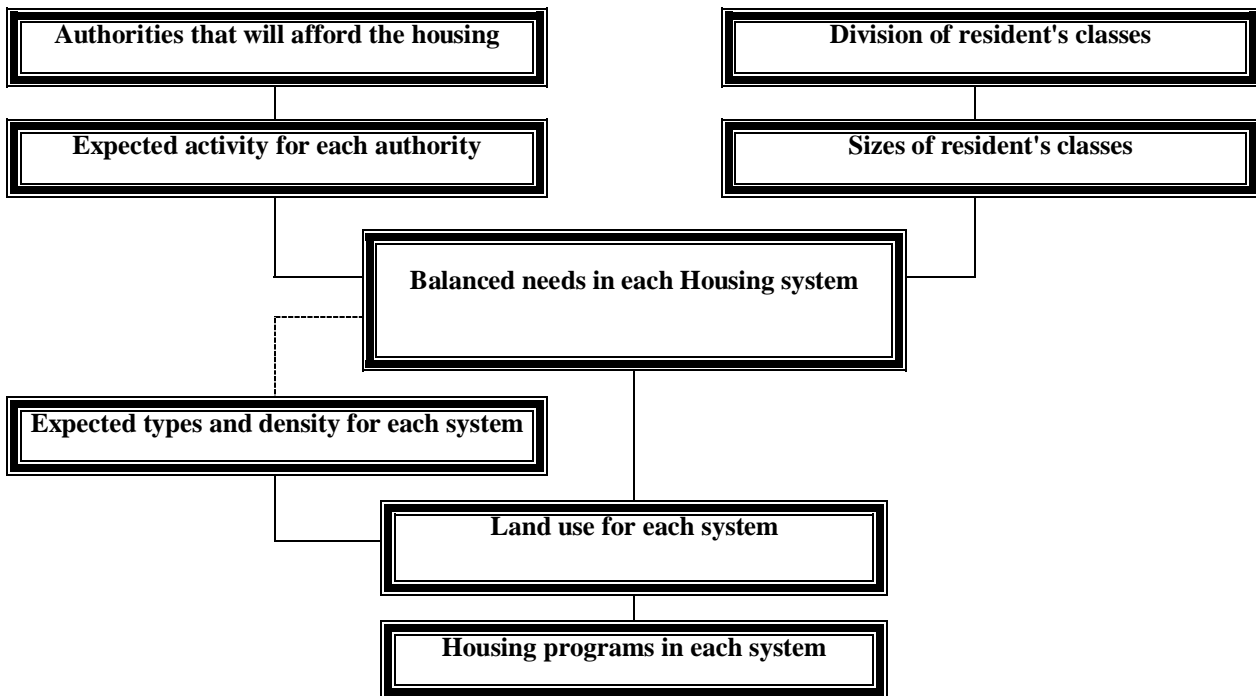


Fig.1 Methodology of housing studies in new towns using housing system

Source: [5]

In order to identify the current occupancy rates for each class in the new towns, it has been suggested the following classifications to cover the used classes in the new towns in Egypt: low, economic, middle, over middle, and high class. The current analytical comparative study of the new towns in Egypt counts the executed units and the targeted ones from each class. Then identifying the occupied units in each class to find its occupancy rate. Hence, the demand outlook would be revealed and compared to the current housing policy. Accordingly, the investment would be redirected to the targeted classifications. On the other hand, looking at the total investment in the plan of year 1986/1987 as follows:

Economic class	557 Million Egyptian pounds	24.1%
Middle class	643 Million Egyptian pounds	27.8%
Above Middle class	596 Million Egyptian pounds	24.4%
High class	548 Million Egyptian pounds	23.7%
Total	2314 Million Egyptian pounds	

The share of the economic class housing, as showed, represents less than one quarter of the total investment in the housing sector. While the above middle and high classes represents about 50% of the total investment in the housing sector and that percentage shouldn't exceeds only 8% of the total units.

The percentage of the vacant units in the new towns are close to the total executed number, in the 10th of Ramadan town 66%, and in 15th of May 52%.

The required units at year 1986 (1,503,036 unit) witch is 9 times the what already achieved in 85/86, 86/87 (172,000 unit). That cause a shortage of about a million units, which causes a negative effect on economy performance as result of low productivity and diseases increase [6].

HOUSING POLICY AND THE REAL ESTATE STAGNANCY:

It is unclear how there is a serious need to housing and at the same time there is real estate stagnancy. Therefore, the real estate stagnancy is related to a specific class, and that is the high class, villas, and the tourist communities, while the middle and above-middle class (areas 80 to 160 m²) has no stagnancy problem [7].

Advanced countries are using a long “mortgage” system (up to 30 years) to facilitate the fund for housing investment. The investor pays the full coverage insurance and in return allows the bank to temporarily gain from the real estate [8].

The mentioned phenomenon needs a new system that combines the following parties [9]:

1. The housing governmental authorities.
2. The assets' owners, housing companies, and real estate developing firms.
3. Contractors.
4. The real estate loaners and bankers, and other funding companies that is not available in Egypt up to this point.
5. Mediators
6. Customers (the majority of Egyptians)

The new system has many bases, see Fig. 2:

First : The organizational frames that would manage the system.

Second: The laws structure that rule the system.

Third : The set of rules that organize and protect all the parties that deal inside the proposed system.

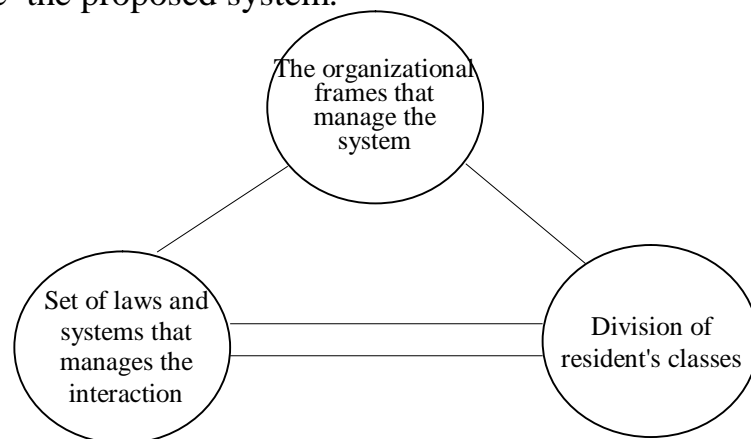


Figure 2. The housing system

According to studies that conducted for 44 African countries, the Growth Domestic Production found to be in the highest level doesn't exceed 2.5% (Moseley and Weeks, 1993). That percentage is less than the average of the population growth for those countries (1980 – 1991). While the development plans were in the highest rates at 1980 to 1985 studies didn't show better performance in the growth domestic production [10, p.77].

Living quality, for existing and coming generations, is the main goal for the housing policy. Therefore, the balance between geographic growths and the social, economical, and environmental goals should be considered as main target [10, p.77].

The policy of population redistribution considered to be an important part of development and human rights goals. Also, starting local projects is an effective tool towards carrying on the targeted development. Hence, the rural development, specially by supporting new projects, industry, and good infrastructure, would prevent the negative immigration to the urban sectors.

In the other hand, planning rules should be set in towns to prevent informal housing from spreading around. [10, p.77]

The building laws considered as a factor that affects housing market mechanism to keep the rent value under control to be rational with low-income tenants. Although, that policy succeeded for relatively long time, but with regard to global changes and the increase of the industrial benefits, the real estate investment showed contraction in the private and governmental sectors market [10, p. 92].

Thus the housing problem solution in the third world countries based on the fund and laws problems.

As the governmental and private sectors reduced their participation in the real estate investment, the public participation with guidance becomes essential to come over the real estate stagnancy.

AN ANALYTICAL COMPARATIVE STUDY FOR OCCUPANCY RATES IN NEW TOWNS IN EGYPT:

The study covered a selection of towns that vary in site, activity, targeted population, and accessibility, for example, Al-sadat, 6th of October, 10th of Ramadan, Al-Obour, Al-Shorok, New Domyat, 15th of May, Badr, and new Cairo. A sample of those towns has been collected by students of third year Architecture (2000/2001)⁽¹⁾, under Dr. Nabil Ashry supervision.

The study towns:

First: Al-Sadat Town:

The plan of Al-Sadat Town aimed to a population of 500 thousands with 168 thousands jobs. The town area is 500 km² with a urban area of 8 km² distributed as follows: 18.30 km² Housing as 38.24%, 12.15 km² Corridors (roads) as 25.10%, 10.13 km² Industrial as 20.92%, 4.35 km² Services as 9.00%, 3.75 km² Green areas as 7.74%.

Table 2 the number of finished and unfinished housing units for all classes

Housing Class	Finished units		Unfinished units		Total	
	Units no.	% Of class	Units no.	% Of class	Units no.	% Of total
Villas	269	100%	--	Zero%	269	2%
Upper-middle	168	100%	--	Zero%	168	1%
Middle	1572	88%	215	12%	1787	13%
Economy	6228	68%	1922	32%	9150	66%
Low cost	1381	41%	2019	59%	3400	18%
Total	9618	70%	4156	30%	13774	100%

Source:[11] with new pattern

As shown in table 2 that villas and upper-middle have a 100% of finished units, which indicates that the real-estate investment is significantly directed to luxurious or high housing classes on the economical housing expense. Although the housing policy focuses on the economy (66%), the investment is more directed towards high class or luxurious housing (executed units).

Table 3 Number of areas assigned and in the way to be assigned to occupants

Zone	No. of areas	Assigned	To be assigned
3	376	--	376
5	795	741	54
6	369	242	154
11	473	473	--
Total	2040	1456	584

Source: Al-Sadat town's authority of development reports

Table 3 shows that 40% of the land areas haven't been assigned yet, and most of those areas lie in the middle class according to the source mentioned above.

Table 4 Number of finished and occupied units and the occupancy rates

Zone no.	No. of finished units			No. of occupied units						Total units	Total of occupied units
	Low	Middle	Luxury	Low		Middle		Luxury			
				No.	%	No.	%	No.	%		
First	23100	510	68	2125	92%	469	92%	42	63%	2888	2656
Second	184	556	198	177	97%	55	9.9%	66	33%	938	298
Seventh	--	600	--			240	40%			600	240

Zone No.	Targeted population			Current population			Current total	Targeted total
First	9240	2550	408	8500	2345	252	11097	12198
Second	736	2780	1180	708	275	396	1379	4692
Seventh		3000			12000	--	1200	3000

The selected zones have high occupancy rates

As shown in table 4 the first area has 92% of units are occupied in both the low and middle classes, while only 63% of the luxurious units are occupied. As for the second area 97% in low class and 99% in the middle are occupied, while only 33% in the luxurious class are occupied. Those percentages indicate the higher demand on the middle and economy classes than the luxurious one.

As demonstrated in the study, In spite of the higher occupancy rates in the economy and middle class housing, the housing policy in the town focuses on the luxurious class housing, direct more investment towards it. That explains the low occupancy rate in the town and real estate stagnancy in the luxurious housing.

Second: The 6th of October Town:

The town has been planned to have 500 thousand inhabitants.

The targeted housing policy described in table 5 as 12% low class, 19% middle class, and 69% upper middle, which shows the stress on the upper middle class.

Table 5] Number of the housing units – governmental housing – 6th of October

Distrect No.	Low	%	Middle	%	Upper-Middle	%
1					12992	11
2					21104	18
3					14704	13
4					15208	13
5			15168	13		
6	13619	12				
7			6522	6		
8					6146	5
9					560	
10						
11					794	1
12					9840	8
Total	13619	12%	2169	19%	81348	69%

Source: The 6th of October town's authority of development reports

Third: Al-Obour Town:

The town has been planned to have 600 thousand inhabitants, with a gross area of 16202 acres, and the urban area is 12070 acres.

Table [6] the units in the first neighborhood in Al-Obour

Area	From 63m ² to 82m ²	From 94m ² to 97m ²	Total
No. of units	3144 as 82%	682 as 18%	3836

Source: Al-Obour town reports

The plan aimed mostly to the economic class (82% of small units) as shown in table 6. That indicates the direction of investment towards the economy rather than the middle class (18% of medium area units), hence, the middle class seekers occupied the available economy units as they can't afford the luxurious units instead.

Forth: Badr Town:

The town has been planned to have 430 thousand inhabitants, and the urban area reaches 12160 Acres divided as follows: Housing 3788 Acres, Industrial 938 Acres, Medical area 516 Acres, Tourist area 180 Acres, Sports clubs 236 Acres, Green areas 2591 Acres in addition to the services areas.

The occupied units were difficult to be defined because of the lowest occupancy rate there. Table 7 demonstrates the plan that attracting the middle class occupants.

Table 7 the number of targeted population and the units - Badr Town

district	Targeted Population	Low class		Middle class		Area (Acres)
		Current	Targeted	Current	Targeted	
1	70000	340	340	6200	8500	620
2	60000			2600	10000	585
3	70000			6000	9000	670
4	40000			--	9500	468

Source: Badr Town's reports

Fifth: New Cairo:

The new Cairo (Lies near to Nasr Town) is one of the most important new communities around Cairo, with a population capacity of 1,250,000 inhabitants distributed as shown in table 8.

Table [8] New Cairo population distribution

Zone	Area (Acres)	Population
East of el tagamo el awal and Police academy	2680	160800
South of police academy	920	55200
North of rocky forest	1380	82800
El tagamo el awal	1200	120000
El tagamo el khames	2200	154000
El tagamo el thaleth	1540	154000
Golf extension	225	13500
Triangle zone	160	9600
North of shopping area	190	11400
Companies zone	4765	381200
The interior ministry projects authority area	1250	107500
Total	16510	1250000

Source: The new Cairo reports

The occupancy rates in table 9 indicates the interest in middle and economy class housing which reaches 55%, while the upper-middle class reaches 35%

Table [9] the number of executed units and the occupied ones - New Cairo

district	Target units			Vacant and occupied units												
				Low				Middle				Upper-middle				
	Low	Middle	Upper	Vac.	%	Occ.	%	Vac.	%	Occ.	%	Vac.	%	Occ.	%	
1			230										120	67	60	33
2			210										95	60	65	40
3	80	45	--	9	17	43	83	25	55	20	45					
4	120	60	--	32	40	48	60	26	43	34	57					
5	50	75	40	40	80	10	20	23	42	32	58	25	84	5	16	
Total	250	180	480	81	45	101	55	74	46	86	54	240	65	130	35	

Sixth: Domyat Algadeeda Town:

The town has been planned to have 270 thousand inhabitants, a sample of 6 districts has been taken from the finished units of the variant housing classes. Table 10 illustrates the percentages of occupied units, which demonstrates the majority of the inhabitants were from the low and middle class housing seekers.

Table 10 the number of he finished and occupied units - Domyat Al gadeeda

district	Total finished units			Occupied units					
	Low	Middle	Luxurious	Low	%	Middle	%	Luxurious	%
1	132 land	82 L	45 L	52 L	76	9 L	13	7 L	11
	400 units	880 U		400 U	31	880 U	69		
2	244 land	71 L	73 L	190 L	90	13 L	6	7 L	4
		320 U				320 U	100		
3	277 L	75 L	42 L	96 L	73	32 L	24	3 L	3
		600 U	600 U						
4	268 L	71 L	42 L	54 L	67	23 L	23	9 L	10
		600 U				600 U	100		
5	256 L	87 L	64 L	39 L	90	1 L	3	3 L	7
	320 U	640 U		120 U	32	256 U	68		
6	235 L	82 L	29 L	58 L	95	2 L	3	1 L	2
	400 U	600 U		400 U	61	255 U	39		

Also, the study has been conducted to other towns such as the 10th of Ramadan, Al-Salyhayah, Zahraa Almaadi, and Al-Shoroq.

According to the previous illustrations and occupancy rates analysis in the studied towns, the housing policy related to the occupancy rates graph has been driven as shown in Fig 3. The two curves are conflicting; the first one demonstrates the housing investment policy that directed towards upper middle classes, while the second curve demonstrates the actual occupancy rates that directed towards the middle and economic housing. The occupancy rates' excess in the economic housing rather than the middle housing is regarding to economical factor; many large families can't afford the cost of proper size units of the middle class.

CONCLUSION:

The slow growth problem and the low occupancy rates in the new towns as well as the real estate stagnancy are two faces of one coin. The low occupancy rate is a result of directing the real estate investment towards the upper middle and luxurious housing, while the occupancy rates of the those classes is about 18% of the total inhabitants. On the other hand, in spite of the low investment in middle and economic classes, the occupancy rates reach 60% of those classes. Thus the improper investment direction causes excess in luxurious housing supply and the low demand of this class causes stagnancy, only in this class, while the high demand for the economic and middle classes causes housing predicament on the other hand.

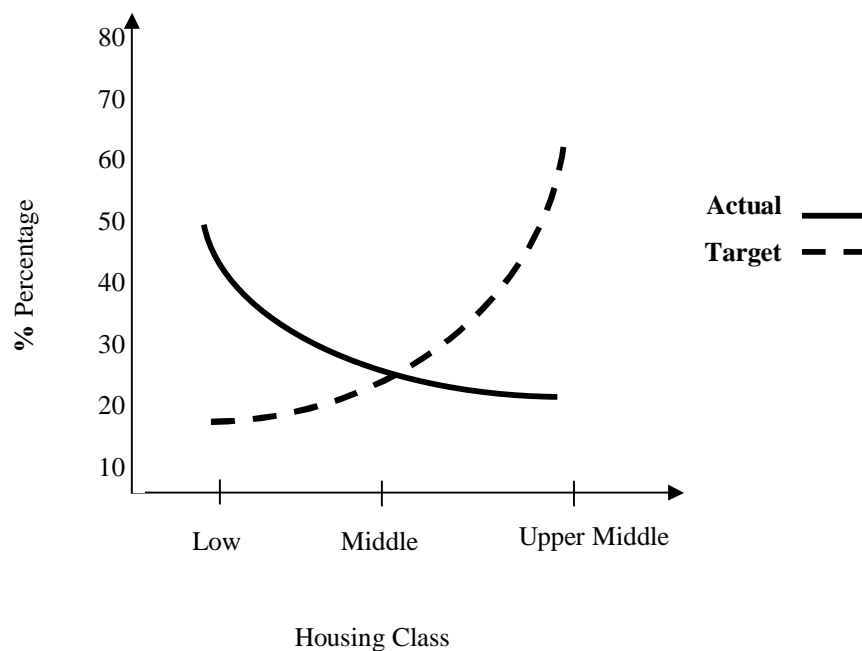


Fig.(3): The Conflict between targeted housing policies and the actual occupancy rates

The study has proved through the comparative analysis of number of new towns the conflict between targeted housing policies and the actual occupancy rates in those towns, see Fig. (3). That concludes the importance of changing the current housing policies and redirect of the investment towards the real market demand, as 50% of the current investment is directed towards the upper middle and luxurious housing.

Therefore, the evaluation and modification of the current housing policy is essential to meet the actual demand of the economic and middle class demand. That would be possible by encouraging the investment towards the highly required classes, and reduce the real estate stagnancy as a result.

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Appendix: Statistical Studies

