



Hassan Allam, Managing Director, Hassan Allam Construction

Continued demand

OBG talks to Hassan Allam, Managing Director, Hassan Allam Construction

How do you evaluate demand for both residential and non-residential construction projects in Egypt?

ALLAM: Demand for residential, retail and commercial real estate projects is currently very strong and I predict it will stay this way for the foreseeable future for several reasons. Firstly, Egypt is a large country with a diverse, expanding economy, as well as a rapidly growing population. In the residential sector demand for housing among all segments is quite strong due in large part to this growing population. A rise in tourism will also contribute to real estate demand, as increased tourism requires hotels and restaurants – not to mention residential tourism and the purchase of second homes. The commercial sector is already undersupplied, and demand continues to grow as companies are modernising their organisations.

There are also a disproportionate number of Egyptian firms located in renovated housing and apartment units, so the demand for purpose-built office space is certainly there. Finally, we have historically been a country that shops in smaller, neighbourhood stores and markets, but that is now changing, and we have seen the beginning of a retail expansion in Egypt. Residential, commercial and retail space are all in demand, so the prospects for the sector are promising.

To what extent have public-private partnerships (PPPs) stimulated the construction industry?

ALLAM: There is a huge demand for infrastructure development across a variety of sectors in Egypt. The demand is too much for the public sector to handle on its own so they made the decision to invite private sector investment to build the required infrastructure.

The launch of PPPs will provide many opportunities for the construction sector in the coming years, especially in the energy sector. As the leading contractor in the power sector we expect to benefit hugely from these developments. For now, we have seen a lot of progress in the development of wastewater treatment plants, but as time progresses contracts will be awarded for

the development of energy, transport, health and a slew of other types of infrastructure.

Which sectors will drive the construction industry in the next three to five years?

ALLAM: Energy infrastructure will probably be the largest driver in the short to medium term. Transport infrastructure in the form of airports, roads, bridges and ports will also be important and will probably be the second driver. I expect real estate development will continue to contribute heavily to the sector.

How do you evaluate volatility of commodity prices with regards to construction timelines and costs?

ALLAM: We have seen relative stability in the prices of commodities over the past few years, which has provided a nice reprieve for the sector. I do not predict commodity prices will remain low for long, as economies are starting to come out of recession. This containment of the global financial crisis and the resulting economic growth that will likely ensue will lead to increased economic activity, which will result in an increase in demand for commodities and eventually prices.

What additional support for the private sector would you like to see from the government?

ALLAM: We are satisfied with the government's relationship with the private sector, but there are also some additional policies and practices that would benefit the private construction industry. For example, I would like to see private Egyptian contractors undertake more work in the oil and gas sector. Most of the Ministry of Petroleum's contracts are awarded to state-owned enterprises, which means that the private sector is not able to secure adequate work in this area. The result is that we cannot fulfil our potential in the region, where the construction of oil and gas facilities is in high demand. I would also like to see our government provide more support for expansion by lobbying for Egyptian contractors to secure more contracts overseas.