

# Foreign Ownership of Real Estate in Egypt

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Foreigners (individuals and companies) are entitled to own real estate in Egypt subject to certain conditions and some restrictions. The regulation of foreign ownership of real estate is spread across several laws and regulations. The nature of the real estate (e.g., residential, investment, agricultural) and its location (e.g., the proximity of the property to Egypt's borders) determines the scope of the ownership rights and any applicable restrictions.

## **Residential Property**

Law No. 230 of 1996 on the Regulation of Ownership of Built Properties and Vacant Land by Non-Egyptians ("Law No. 230 of 1996") governs the ownership by foreigners of property for residential purposes. Foreign ownership of property for non-residential purposes (i.e., commercial, offices or agricultural purposes) is regulated by other separate laws and regulations.

In applying Law No. 230 of 1996, a company is deemed a foreign company if the majority of its capital is not owned by Egyptians, regardless of whether the company is incorporated and registered in Egypt or elsewhere. Law No. 230 of 1996 applies to all kinds of real property disposals by foreigners except inheritance. For purposes of this law, ownership rights include freehold ownership and usufruct rights.

Pursuant to Article 2 of Law No. 230 of 1996, the number of lands or built properties which a foreigner may own must not exceed two properties for residential purposes (for the owner and his immediate family) and the area of each real estate must not exceed 4,000 square meters. Once acquired, a foreigner must hold on the residential real property for 5 years before he is able to dispose of it to others, unless otherwise permitted by virtue of a special resolution issued by the Prime Minister (Article 5 of Law No. 230 of 1996). Any disposal or acquisition in contravention with any of the conditions set by Law No. 230 of 1996 would be considered null and void.

The Council of Ministers has the authority to relax these restrictions and issue special conditions on the ownership of real estate located within touristic areas and master communities it designates from time to time. Accordingly, Prime Minister Resolution No. 548 of 2005 states that foreigners shall enjoy equal rights with Egyptians for acquiring freehold title to units in Sidi Abd El Rahman, Ras El Hekma, Hurgada and the Red Sea and usufruct rights for up to 99 years in Sharm El Sheik for residency purposes, subject to obtaining the approval of the Ministry of Defense, Ministry of Interior and the National Security Authority. Units acquired in the areas above-mentioned governed by Prime Minister Resolution No. 548 of 2005 are exempted from the 5-years restriction on disposal and accordingly may be disposed of at any time after their acquisition.

In addition, ownership of residential lands is conditional to the development of the land. Pursuant to Article 4 of Law No. 230 of 1996, a foreigner who acquires a residential land must start construction works to develop the land within 5 years from the month in which registration of such land with the Notary Public is recorded. In the event the five-years period lapses without commencing construction works, the prohibition to dispose of the vacant land would be extended to a period to the delay period in commencing construction works.

## **Desert Land & Agricultural Land**

Law No. 143 of 1981 on Desert Lands regulates ownership of desert land in Egypt. This law restricts ownership of desert land to Egyptian nationals and to Egyptian companies owned by at least 51% of Egyptians.

Agricultural lands are exclusively reserved to Egyptians. Law No. 15 of 1963 on the Prohibition of Foreign Ownership of Agricultural lands prohibits the acquisition of agricultural lands by foreigners (both individuals and companies), whether by way of freehold ownership, usufruct or any other type of real property right.

#### Limitations on Ownership in Some Restricted Areas

The ownership of real estate property in some areas in Egypt is restricted regardless of the nationality of the proposed owner. Ownership of land in these areas is limited to the State for public security reasons.

For example, Law No. 68 of 2015 as amended by the Council of Ministers Resolution No. 215 of 2017 prohibits the ownership of real estate in Sinai to Egyptians individuals and companies entirely owned by Egyptians. Subject to obtaining a number of governmental approvals, foreign individuals and companies may acquire usufruct rights over lands for term of up to 75 years for investment or economic development purposes. Companies entitled to such usufruct rights must be joint-stock companies owned by at least 55% of Egyptians.

#### Real Estate for Foreign Investment Projects

Law No. 8 of 1997 of Investment Guarantees and Incentives as revised by Law No 17 of 2015 (“Investment Law”) provides that foreign companies and establishment which investment projects fall within the list of commercial activities defined by the Investment Law and its executive regulations, may own land buildings and develop real estate as necessary for the purposes of establishing and expanding their commercial activities, except lands and properties in areas designated by the Council of Ministers from time to time. The list of activities mentioned in the Investment Law and the executive regulations issued by the Council of Ministers is quite exhaustive.

For the purposes of the Investment Law, a company must be incorporated in Egypt in the form of a joint stock company, limited liability company or limited partnership (excluding any other form of companies). However, there are no restrictions on the nationality of the shareholders, their residence and their shareholding percentage in the company (Article 12 of the Investment Law). Foreign companies may also apply to obtain real estate rights over state-owned lands and properties which the Government accepts to designate for foreign investment projects pursuant to the procedures and requirements set out in Articles 5, 6 and 73 of the Investment Law.