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MIDDLE EAST REAL ESTATE
INSIGHT ON A MATURING MARKET



to \$10,000 to \$12,000 per square meter for finished property.

On the other side of town in West Beirut, prices have been climbing to new heights as well. A square meter of land right at the water's edge is going for the same prices as on the Golden Strip, asserted Karim Ibrahim, marketing and sales manager for Jamil Ibrahim Establishments. The main attraction for this part of town is the cliff-top Corniche overlooking the famed Pigeon Rocks, which undoubtedly helps drive up the price. Just inland, the Verdun district sports much lower prices of between \$5,000 and \$6,000 per square meter.

Alternatively, buyers seeking more approachable prices will look at the capital's suburbs where prices are substantially lower, or even outside Beirut. Some chic countryside developments have been hit by price hikes as well, however. Chahe Yervanian, chairman and general manager of Sayfco Holding, has discovered this with one of his developments in Faqra Club. "When we bought the land for the Clouds project in 2005 and 2006, it was running at \$250 to \$300 per square meter. Today, the market is at \$1,200 per square meter," he said.

Challenges

In the view of Pierre Abou Jaber, general manager for Veninvest, "The number one problem [for real estate] is political instability." He added that, "we need to overhaul the legal structure and corruption must be solved." Many of the major players indicated that political stability was of the utmost importance as it helps to reassure investors and to facilitate construction, in addition to the passage and enforcement of new legislation pertaining to real estate. Echoing those concerns Karim Bassil, chairman of BREI, said, "There are two main problems facing developers in Lebanon today: political instability and growing construction costs."

Recent spikes of up to 50% in the

price of commodities like steel and concrete have made life difficult for real estate developers and contributed to the growing cost of finished property. Yet some developers view the startlingly high price of land as an even bigger concern, claiming land prices outweigh the cost of commodities. According to Sherif Aoun, of Mouin Aoun Contracting, "Commodity prices are a problem, but they are nothing compared to the high price of land. The major challenge now is to find land to develop." Karim Ibrahim, of Jamil Ibrahim Est., echoed that thought: "Commodity prices in Lebanon haven't been that big of a challenge. In other developing countries, the price of the land constitutes 5-10% of the apartment. In Beirut it is 60-70%, so the higher commodity prices are diluted [by the land prices]."

Real estate developers are also concerned about the lack of regulation in the country. Karim pointed to the ever-popular balcony as an ex-

"There are no rules, there is no certificate, there is nothing [to qualify a real estate agent]," he said and added that improved transparency and regulation would have a positive impact on the industry by making life easier for the customer and broker alike.

Trending towards the future

Lebanon is a land of heritage and its architecture is no exception. While many of the villas and their gardens that once defined Beirut have been torn down, others have been saved by strict zoning laws or developers intent on preservation. "The building is not classified, so it could have been destroyed," said Karim Saade, general manager of Greenstone Real Estate Development, about his new L'Armonial Project. Instead, the company decided to incorporate the 1930s era building into their newest residential project on the historic Abdel Wahab al-Ingiliz Street to help safeguard the street's historic atmosphere. Other developers have also stayed true to a

ARCHITECTS SPEAK OF THE NEED FOR A MASTER PLAN, AS 'ARCHITECTURE WITHOUT AN URBAN PLAN IS NOTHING'

ample. In Lebanon developers are required to make 20% of their building into balconies. "Yet people are allowed to glass in their balconies as they chose," he said. "Why do they oblige people to have balconies and then let them be closed in? They should really let the architects and designers handle this. Because honestly, you finish a building and it looks great, and then half the people close their balconies, the other half don't close their balconies and it ends up looking like the ugliest building in the world."

Beyond developers, real estate brokers have their own set of problems. As one observer put it, anybody can sell real estate in Lebanon. Christian Baz of Baz Real Estate said that property is something of a national pastime in a country where everyone has something for rent or sale.

neighborhood's feel by maintaining the heritage of the area. For example, BREI is trying to help the famed Gemmayze street maintain its traditional character by refraining from building towers and focusing on projects inspired by the existing architecture, such as its Convivium series. Often these same architects also speak of the need to master plan areas because 'architecture without an urban plan is nothing.'

Elie Harb of Coldwell Banker was quick to point out, however, that pitfalls can beset master planned areas such as the Beirut Central District as well. "The concept of the Solidere area, that whole design is a mistake. Shops and offices work well together to an extent, but they should have left some room for apartment buildings," Harb contended. Furthermore, he said, "the footprint of the build-

Building Beirut rain or shine

Soaring property market defies logic or reason

Real estate in Lebanon is a strange thing. It seems to defy all logic. In good times things are good, but in bad times things are better. For example, take the three years since the slaying of Lebanon's former prime minister and billionaire construction magnate Rafiq Hariri in 2005. In years prior, the country was riding a wave of post-war reconstruction and was quickly reestablishing itself as a regional banking and tourism hotspot. After Hariri's assassination the country witnessed a quick succession of terrible and violent events including many gangland-style political assassinations, sectarian infighting, an armed Islamist insurgency and a full-scale war with Israel. One would expect the real estate market in Lebanon to suffer from this instability, just as the remainder of the economy did.

Yet, as Raja Makarem, managing partner at RAMCO, pointed out, "real estate [in Lebanon] has been doing between 25 and 30% growth in the last three years on average, which is an amazing record," adding that, "30% [growth] a year is already a lot and this is without the Gulf element. If the Gulf element is added to this, then we will be expecting much higher prices."

Exorbitant rental prices in the Beirut Central District suggest that Gulf investors are already part of the market. "Office space in the Beirut Central District [rents for] around \$200 per square meter per year," asserted Elie Harb, president and owner of Coldwell Banker Lebanon. He added, however, that much of

the office space in the area often referred to as Solidere sits empty. Several factors contribute to the high vacancy rate, according to Harb. Although political instability and a yearlong sit-in during 2007 did much to deter renters, prohibitively small floor plans and lack of parking are some of the more fundamental issues with the properties. Strangely, the loss in opportunity cost has not yet brought down prices as it would in more predictable markets. Harb suggested that the people who own the office spaces for let in Solidere do not use the rental of that property as their bread and butter. "If the property doesn't rent because it is too expensive, they don't take action to recuperate that opportunity loss and they

will likely leave the price as it is," he said. This unflinching attitude to renting suggests investors backed by Gulf-flavored petrodollars command much of the quaint but quiet BCD.

Glittering gold

Other areas of Beirut are less calm. Occupancy frenzy seems to have taken hold of some of the more exclusive neighborhoods in the capital. Known as the Golden Triangle, the area between the Sodeco, Sassine and Sofil intersections has seen skyscraping residential towers and sky-high prices in recent years. "Finished property in the Golden Triangle sells for \$3,500-4,000 per square meter. This is almost double the price compared to last year due to higher prices for commodities and the huge rise in land prices," said Chafic Saab, of Jamil Saab & Co. And anecdotal evidence suggests that much of this property is occupied. Professional real estate agents, local *simsars* and even the neighborhood hang-outs on the trendy streets of Abdul Wahab al-Ingiliz, Monot and Furn al-Hayek say the same thing: "Sure we have apartments in this neighborhood. But they are all occupied."

Another glimmering area with high prices and perhaps more availability is the drag of flashy shops and apartment buildings on the sea running east from the marina. This Golden Strip, as it is called, is replete with high-end clothing shops and sports car dealerships, so it is logical that the luxury flats in the area will carry big price tags. Buyers who are looking for apartments above the 15th floor will be seeing prices of up

