YOUR REAL ESTATE MARKET GUIDE

APRIL 2011 - Issue 2 PUBLISHED BY ASCOT

EDITORIAL

PROPERTY MARKET IS CALM BUT CONSTRUCTION REMAINS ROBUST

Apparently the current political uncertainty continues to hamper all economic activity in Lebanon, and real estate is no exception. However, Lebanon remains one of the most stable countries in the MENA region, according to The Economist magazine's Arab League Index of Unrest. And this is encouraging.

Some argue that due to local and regional political factors, real estate in Lebanon faces some stagnation; demand is dropping and prices will soon follow. Most disagree.

It's true that property sales in Lebanon have slowed down since the last quarter of 2010 and transactions have gone down by 12.3% relative to January 2010 to reach 5,452 transactions in January 2011, but this doesn't mean prices are going down or construction activity is declining.

Actually, construction activity in Lebanon continues to hold a positive record of upward growth in 2011 with the domestic real estate market still outperforming regional markets that are still recovering from the global financial crisis. According to the Order of Engineers in Beirut and Tripoli construction permits have gone up by 15% in the first two months of 2011 (see page 4).

It's obvious that property sales have slowed down indicating some contraction in the market but construction activity, powered by its two major indicators, construction permits and cement deliveries, has not regressed, implying that there's no fear on demand and prices will keep their current level at least for the foreseeable future.

Another factor that gives a fillip to the sector is the housing loans. Government-sponsored Public Institution for Housing's decision to increase the value of housing loans offered by the institute to borrowers by 50 percent from LL180 million ($120,000) to a maximum of LL270 million had a positive impact on the real estate market. The institution recently revealed figures that housing loans have registered a 20% increase in January 2011 compared to December 2010 (see page 2).

We at ASCOT believe that despite the political situation, the real estate market in Lebanon is still promising. The market is calm almost inclining towards stagnation, but no drops of prices are foreseen. We believe that prices could go up again soon because plots are scarce and demand in Lebanon is based on real factors: demographics and a place to live in called home. We don't have speculative market in Lebanon.

We sincerely hope that politics is directed towards serving the interests of the people. Every Lebanese entrepreneur has high expectations before the summer season, with the arrival of Lebanese expatriates and Arab tourists. Stability is what we need. Will our hope become a reality? Will politicians really listen to the will of the people?

PATRICK GEAMMAL

THE ECONOMIST: LEBANON ONE OF THE MOST STABLE COUNTRIES IN THE REGION

In a recently published report by Byblos Bank, the Economist magazine ranks Lebanon as the fourth most stable country among 17 Arab countries. In an index that measures Arab countries' vulnerability to political unrest, instability and possible revolution on a scale from zero percent to 100%, with 100% representing the highest level of instability, Lebanon received a score of 30.7%, and was preceded by the UAE with 24.3%, Kuwait with 21.7% and Qatar with 20.7% as the countries least likely to face unrest.

In parallel, the Bloomberg Combustibility Index for the Middle East & North Africa placed Lebanon among the nations that are least prone to unrest in the region.

ASCOT makes all the difference for your real estate needs. With decades of successful experience ranging from buying and selling properties, consulting and managing real estate investments, conducting insightful market research and feasibility studies, ASCOT is a one-stop address for reliable services with great returns for its customers.

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BEIRUT HAS THE 28TH MOST EXPENSIVE OFFICE SPACE WORLDWIDE

The 2011 survey of the world's most expensive office locations in 68 cities around the world by property consultants Cushman & Wakefield (CW) indicates that office rents held firm in Lebanon in 2010. However, the study notes that there was an increasing trend of occupiers seeking to move out of the Central Business District, where rents are the highest in the country, for better rental deals. Indeed, according to the study, rents in Beirut's Central Business District stood at € 427 per square meter per year in 2010, whereas the average net internal rent in the country stood at € 368 per square meter per year. The study also indicates that rental values in Lebanon are expected to remain stable in 2011 due to the limited amount of supply and cautious occupier sentiment.

As per the study, 2010 was a year characterized by a marginal rise of 1% in office rents across the globe, with rents in all regions but the Middle East and Africa moving back into positive territory over the year. The 10% yearly decline in rents in the Middle East and Africa was primarily due to significant falls in rents in Oman, Bahrain and the UAE. Lebanon bucked the regional trend as its rents remained insulated from any drops, holding steady in 2010. The study noted that Beirut's Central Business District had the 28th most expensive office location worldwide in the 2011 survey. Beirut's ranking progressed 3 spots from the 31st most expensive location in the 2010 survey, after it went up by one notch from being the 32nd most expensive city in the 2009 survey. Regionally, Beirut's Central Business District had the third most expensive office location among 10 cities in the Middle East and North Africa region in the 2011 survey, as per CW classification.

Office Occupancy Cost in Central Business Districts across the MENA region

City	Occupancy cost (€sqm/yr)	2011 MENA rank	2011 Global rank	2010 Global rank
Abu Dhabi	583	1	16	4
Doha	565	2	17	12
Beirut	427	3	28	31
Damascus	358	4	41	32
Manama	320	5	46	22
Riyadh	320	6	47	41
Kuwait	286	7	51	49
Cairo	268	8	54	45
Amman	214	9	61	58
Muscat	186	10	66	-

Sources: Cushman & Wakefield, Bank Audi's Research Department

SOLIDERE AWARDS UK'S ANOUSKA HEMPEL DESIGN LUXURIOUS HOTEL DEAL

Solidere recently awarded UK-based architectural firm Anouska Hemper Design the transformation of a 1930s theater into a luxurious hotel. The big theater, situated in downtown Beirut, would become a hotel that encompasses 57 suites, and would be open to the public in 2013, according to Anouska Hemper Design statements. The company, in collaboration with UK's Rogers Stirk Harbour and partners, plans to build an extension to the existing building, with a view on the historical auditorium, according to newswires.

HOUSING LOANS BOOST THE PROPERTY MARKET

Government-sponsored Public Institution for Housing's decision to increase the value of housing loans offered by the institute to borrowers by 50 percent from LL180 million ($120,000) to a maximum of LL270 million had a positive impact on the real estate market. According to the Director of the institution Mohamed Younes, housing loans registered a 20% increase in January 2011 compared to December 2010.

HEC MARKETS NEW RESIDENTIAL PROJECT IN AIN SAADE

El-Hajjar Enterprises Company (HEC) started marketing a new residential project in Ain Saade termed Green Leaf.

The project includes three independent buildings comprising of 14 apartments. The flats stretch over an area of 200 to 260 square meters. The project also encompasses ground and garden duplexes of 235 to 420 square meters. The average price per square meter stands at US$ 1,900 according to newswires. Green Leaf's construction began in February 2011 and it would be completed by early 2013, according to newswires.

Since its establishment in 1959, HEC specializes in construction and property development. The company developed several residential projects and has commercial projects underway in Broummana, Mansourieh, Mazraat Yachouch, Fanar, Antelias and Ashrafieh.

KUWAIT'S TAMEER EYES $25 MILLION TOURISM PROJECT IN THE BEKAA VALLEY

Kuwaiti real estate developer Tameer recently announced plan to initiate a tourism project valued approximately $25 million in the Bekaa Valley. According to company statements, Tameer Holding has acquired an area of 52,000 square meters, where it plans to build a hotel, restaurants, and a commercial center.

LEBANON'S REAL GDP SET TO RISE 5.5 PERCENT IN 2011

Standard Chartered Bank has forecast a real gross domestic product growth rate of 5.5 percent for Lebanon in 2011, indicating a decline relative to the 7.5 percent real GDP growth in 2010 and to the 8.5 percent average growth over the past three years, on the back of strong growth in aggregate demand, construction and financial services. The briefing was published by Bank Audi's Lebanon Weekly Monitor and the Daily Star.

Standard Chartered indicated that the last quarter of 2010 and the first indicators of 2011 point to a slowdown as a result of adverse political developments: Tourist arrivals were 4.5 percent lower year-on-year for the first two months of the year. Also, a paralysis in government is likely to lead to a slowdown in government capital spending, as compared with 2010.

Nevertheless, Standard Chartered emphasized the resilience of the Lebanese economy, supported by continued confidence in its banking system (ongoing deposit growth, albeit at a slower pace) and faith in the central bank's ability to maintain the U.S. dollar peg and pursue an orthodox approach toward the substantial public debt-to-GDP ratio, which was reduced to 133 percent in January from 150 percent a year previously.

LEBANON GETS $17 BILLION FINANCIAL INFLOWS IN 2010

Financial inflows into Lebanon reached $17 billion in 2010, down by 17.5% relative to 2009, however, they still managed to more than fully cover Lebanon's structural trade deficit, resulting in a balance of payments surplus as Bank Audi report indicates.

Here, it is worth noting that although financial inflows were on the decline during 2010, they still maintained a fairly high level. As a matter of fact, average financial inflows into Lebanon over the past five years stood at $13.1 billion, which means that financial inflows in 2010 fared well relative to the previous five years, on average. It is worth recalling that financial inflows in 2009 reached an unprecedented high level, as the country benefited from regional woes and attracted financial flows into its solid banking system, which emerged from the global crisis unscathed. Currently, the emerging global recovery has left other countries in the region attracting financial flows, which in turn diminished to a certain extent the financial inflows into Lebanon.

LEBANON POSTS 22ND HIGHEST GROWTH RATE IN TOURIST ARRIVALS IN THE WORLD

Preliminary figures issued by the United Nations World Tourism Organization indicate that Lebanon posted the 22nd highest growth rate in tourist arrivals in the world during 2010 with a 17.6% increase from the previous year.

Lebanon ranks in 12th place worldwide when excluding countries with arrivals of less than two million tourists last year. In comparison, tourist arrivals grew by 6.7% globally, by 5.3% in advanced economies and by 8.2% in emerging markets. Regionally, tourist arrivals increased by 14% in the Middle East and rose by 5.8% in North Africa. They increased by 6.4% in Africa, grew by 3.2% in Europe, rose by 7.7% in the Americas, and expanded by 12.6% in Asia and the Pacific.

Globally, Lebanon tied with Bosnia & Herzegovina, ranked ahead of Papua New Guinea and Kiribati that posted growth rates of 17.5% each, and came behind Egypt that posted a 17.9% increase in tourist arrivals. Regionally, Lebanon was the fifth fastest growing tourism market, coming ahead of Saudi Arabia that posted a rise of 13.3% in tourist arrivals, Morocco (11.5%), the UAE (9%), Turkey (5.8%), Cyprus (1.8%), and Tunisia (-0.3%). Lebanon was preceded by Egypt (17.9%), Jordan (23%), Palestine (35.3%), and Syria (42.5%). Lebanon was the fastest The World Tourism Organization projected tourist arrivals to grow between 4% and 5% globally and by 7% to 10% in the Middle East in 2011.

LEBANON'S TRAVEL AND TOURISM ECONOMY TO GENERATE $13.5BN THIS YEAR

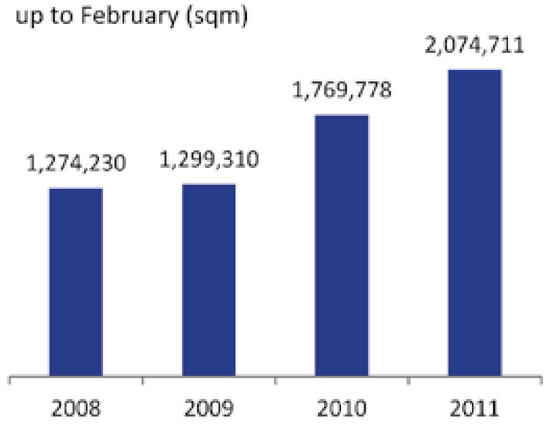
The World Travel & Tourism Council (WTTC) estimated that the travel & tourism industry would contribute directly $3.77bn to the Lebanese economy in 2011, equivalent to 9.5% of GDP, and direct industry employment will reach 122,000, representing 9.1% of total employment in Lebanon this year.

In a report published by Byblos Bank, the WTTC indicates that since travel & tourism (T&T) touches all sectors of the economy, its real direct and indirect impact is even greater, and forecast it will generate $13.5bn, or 33.8% of overall economic activity in Lebanon in 2011, including 431,700 jobs, representing 32.2% of total employment in 2011. It added that the T&T industry's direct contribution to Lebanon's economic activity will rise to $5.8bn, or 9.7% of GDP in 2021, while the broader T&T economy will contribute $20.6bn, or 34.7% of GDP by 2021.

CONSTRUCTION PERMITS UP BY 15% IN THE FIRST TWO MONTHS OF 2011

The construction sector continued to show strong activity as figures released by the Order of Engineers in Beirut and Tripoli reveal that the area of newly issued construction permits reached 2,047,464 square meters in the first two months of 2011, up by 15.0% relative to the same period of the previous year.

This increase follows a year-on-year drop of 14.7% witnessed in the last quarter of 2010, and suggests that investors have shown a resumed confidence to launch new projects, after this urge was somewhat dampened in the last few months of 2010 as a result of mounting political pressure. Indeed, even as political tensions escalated in the first two months of 2011, it seems that relatively stable security conditions prompted investors to acquire new construction permits to launch new projects. Mount Lebanon captured the majority of newly issued construction permits in the first two month of 2011 with 49.1%. This is in fact in line with the growing demand for property in Mount Lebanon by Lebanese residents, as prices in that area are more convenient than prices in the capital. It was followed by the South with 16.8%, the North with 16.2%, Bekaa with 8.6%, and Beirut with 9.2%.



CEMENT DELIVERIES UP BY 7%

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, reached 5,226,620 tons in 2010, up by 6.7% relative to 2009. This growth in fact reflects continued investments in Lebanon in infrastructure and residential, offices, commercial property to cater for the relatively elevated demand for real estate in the country.

Over the last quarter of 2010, cement deliveries increased by 11.1% relative to the same period of 2009 and reached 1,358,182 tons.
This shows that contractors pursued the development of existing projects despite the political tensions witnessed towards the end of the year.

SYRIA PRIMED TO BECOME A MAJOR REGIONAL REAL ESTATE PLAYER

The construction sector in Syria is witnessing an unprecedented boom. The main drivers behind this buoyancy remain the large population, the number of business executives flowing in and demanding high-end real estate, the focus on tourism and the upgrading of the related infrastructure. Other experts also mention the inflow of Iraqi nationals into Syria as a factor contributing to the real estate boom in Syria, consequently raising demand for real estate and boosting its prices.
Many large scale projects under joint ventures between local and foreign, mainly Arab parties are announced or launched.
Among sizeable real estate developments is the large scale $1 billion Majid Al Futtaim project in the trendy Yaafour area in Damascus, by far the largest mixed-use real estate project in the country.

The development should serve as a new town centre for local residents. It will spread over an area of 1.5 million square meters, next to Emaar's Eighth Gate venture. Abraj Souria is another offices and commercial space project and should cost $ 319 million.
In addition to the ongoing mega real estate projects, like the $4 billion Emaar projects (Damascus Hills and the Eighth Gate), there are $13 billion worth projects to develop touristic complexes on the Syrian coast in Lattakia, Palmyra and on the shores of Lake Assad and preselected ten companies among several large Gulf real estate developers bidding. Other smaller projects are likewise underway, as the $300 million Cordoba Hills and the $320 million Aref Investment financial district development.

$500 million Eight Gate project by Emaar in Damascus