

YOUR REAL ESTATE MARKET GUIDE

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BAD NEWS, GOOD NEWS AND HOPE

The bad news is that figures released by the Central Bank of Lebanon indicate that Lebanon's macroeconomic performance, reached an average of 248.8 points in the first two months of 2011, up by a mere 1.6% relative to the same period of the previous year, an indicator that reflects an economic stagnation in the country in the first months of the year.

Another bad news is that the construction sector has shown a slowdown in March and April 2011, following a strong activity

in the first two months of the year. Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, reached 636,009 tons in the first two months of 2011, down by 1.3% relative to the same months of 2010. This slowdown in fact reflects a drop in investments in Lebanon in infrastructure and residential, offices, and commercial property. As a matter of fact it shows that contractors held back the development of real estate projects, as political conditions became worse. We talk about bad news because we face a stalemate in forming a new government for reasons unknown to every politically mature Lebanese citizen. Pity!

The good news is that the rise in oil prices may encourage Arab oil producers to invest more in Lebanon, according to the chief executive officer of HSBC in the MENA region. The statement indicates that as the price of oil increases internationally, oil producing countries would benefit from higher oil revenues, which would encourage them to invest their excess liquidity in Lebanon. And they usually invest in real estate.

And this excess of oil money is available at a time when most Middle East property markets are shaken by political unrest and all agree that Lebanon provides the best investment opportunities for their excess money provided that political stability is sustained. In our previous issue, we echoed the Economist magazine that ranked Lebanon one of the most stable countries in the region.

Another good news for Lebanon and the real estate sector is that soon hundreds of thousands of expats and tourists will visit Lebanon to spend their summer vacation. And it's not a secret that most real estate projects in Lebanon are designed to cater for the expats and Arab tourists.

That is why there is hope.

But hope needs to be paired with actions on ground. The private sector in Lebanon is doing its utmost to serve the economy and keep all economic sectors alive and growing. But what about the public sector? Will we soon have a government and an administration formed to serve the people and its economy?

That would be nothing but good news.

PATRICK GEAMMAL



MIDDLE EAST PROPERTY MARKETS SHAKEN BY POLITICAL UNREST

According to Standard & Poor's, unrest and political upheaval in the Middle East & North Africa is negatively affecting regional property markets. Many projects are subject to delays and cancellations.

S&P expects the negative impact on the real estate sector in the MENA region to be more severe in countries already undergoing political transition such as Tunisia and Egypt, and in economies currently experiencing civil unrest as in Libya, Bahrain, Yemen and Syria. In parallel, S&P says real estate companies in the region are also confronting other risk factors, such as supply-demand imbalances, affordability of property, and lack of mortgage financing.

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BEIRUT'S REAL ESTATE MARKET IS CONTINUING TO BOOM

In a press release, one of the Middle East's largest private developers DAMAC Properties acclaims that the real estate market in Beirut is still booming. Property prices in Beirut, says DAMAC, have increased by an average of about 25 per cent a year, for the past five years, according to RAMCO Real Estate Advisers. Whilst the rate of growth in property prices has slowed over the past year, to about 10 per cent, prices are still rising.

"Lebanon is currently one of the best performing property markets in the region. There are strong economic fundamentals underpinning growth in the property sector, which means this growth cycle has longer to run and is sustainable growth," says Ziad El Chaar, Managing Director DAMAC Properties.

A recent report by international financial

institution Standard Chartered supports the claims. The report indicates that property demand in Beirut remains strong and Lebanon's economy will expand about 5.5 per cent this year, making it one of the fastest growing economies in the region. The expanding economy is fuelling population growth, which is currently outpacing the supply of available quality accommodation. Increasing demand for housing is pushing up rental prices, which are now amongst the highest in the Middle East.

"The growth in Lebanon's property market is being driven by end users, but the smaller and mid-range apartment sectors are still undersupplied. Demand is coming from wealthy young Lebanese leaving the family home, as well as a growing number of Lebanese expatriates returning home," says El Chaar.

DAMAC Properties is currently developing 'DAMAC Tower', one of Beirut's leading developments in partnership. DAMAC Tower, Interiors by Versace Home, is located at Solidiere marina district in downtown Beirut.



BEIRUT CITY CENTER AWARDS STEEL CONTRACT

Dalal Steel Industries has been recently awarded the steel fabrication and construction contract for the roof structure of the Beirut City Center Shopping Mall in Hazmieh, Lebanon.

Beirut City Center is a \$200 million shopping mall project on the outskirts of Beirut by Majid Al Futtaim Properties, with an estimated completion date in 2013. The project would comprise 180 specialty stores across 60,000 square meters of retail space.

Dalal Steel Industries would be fabricating and constructing the mall's 12,000 square meters roof structure, made from an estimate of 1,200 tons of hot-rolled structural steel, covered with composite steel decking and concrete topping, according to newswires. It includes a one-hour fire rating for the entire system, the first system of its kind in the region, according to the same source. Beirut City Centre is expected to be one of the biggest malls in the region, and is Dalal's second shopping mall project in Lebanon, following the Cascada Mall in Bekaa, according to the same source.



CAPSTONE INVESTMENT GROUP TO START OPERATIONS IN LEBANON

Private equity firm Capstone Investment Group (CIG) recently announced the official launch of its operations in Lebanon.

The company is focused on real estate investments in Lebanon and provides integrated investment approach to real estate investments as well as related financial advisory, according to company statements.

The firm focuses on developing prime residential, commercial, retail, hospitality and mixed-used properties. CIG has already raised funds and developed an upscale residential property in Ashrafieh and intends to raise additional funds in order to develop a modern office space tower near the Beirut Central District, as per newswires.

CFH SYNDICATES \$250M LOAN TO UAE BASED RAKEEN DEVELOPMENT

Lebanon's Corporate Finance House (CFH) has announced the successful completion in arranging a medium-term loan syndication amounting \$250 million to UAE based Rakeen Development. Credit Suisse bank acted in the capacity of a lead manager on the deal, along with other participating local and international banks. CFH Group chairman, Mr. Fawzi Farall, said that the liquidity among banks operating in the region has noticeably improved with the alleviation of the financial crisis, adding that this should provide ample opportunities for institutions seeking fresh financing and/or opportunities to restructure their debt.

Real Estate Projects Targeted by CFH Funds

Project	Location
Capital Plaza	Beirut, Lebanon
Avenue Plaza	Beirut, Lebanon
West Wharf	Dubai - United Arab Emirates
The Prime Tower	Dubai - United Arab Emirates
The Avenue	Al Abdali - Amman - Jordan

Source: Company Data

DOMAINE DES TOURELLES OPENS BEIRUT BOUTIQUE

Domaine des Tourelles opened a boutique and tasting venue in Lebanon's Monot Street. While Domaine des Tourelles is already present in Beirut at wine shops and in some restaurants, the company's aim is to open its own shop where it would offer its entire range of products and provide a tasting venue.



FDI IN LEBANON €7.7BN BETWEEN 2003 AND 2010

Figures released by the Mediterranean Investment and Partnership Observatory (ANIMA-MIPO) and published by Byblos Bank report indicates that the announced foreign direct investment in Lebanon totaled €789m in 2010, compared to €86m in 2009 and €1.06bn in 2008.

FDI in Lebanon has accounted for 2.7% of aggregate FDI flows last year in the 13 economies of the Southern Mediterranean basin. Further, aggregate FDI in Lebanon has reached €7.65bn between 2003 and

2010 and has grown at a compound annual growth rate (CAGR) of 13.7% during the covered period, compared to a regional FDI growth of 20%. Lebanon was the tenth largest recipient of FDI flows among the 13 covered economies in the 2003-2010 period.

ANIMA notes that Lebanon has attracted 16 projects in 2010, including five projects in the banking sector and three in the tourism sector. FDI in banking and tourism has totaled €540m and €110m, respectively, and accounts for 68% and 14%, respectively, of total FDI in 2010. It notes that the three largest announced FDI projects last year were the €150m Majid Al Futtaim shopping mall, the €395m acquisition of Crédit Libanais sal by regional investment bank EFG Hermes, and the €110m Kempinski Hotel.

MERRILL LYNCH SEES A MODERATE ECONOMIC SLOWDOWN THIS YEAR

A recent report released by Bank of America Merrill Lynch (ML) indicates that the moderate economic slowdown that was evident in

Q4 2010 would likely continue and further take hold should political tensions not abate meaningfully.

However, growth is still coming from a strong base, as GDP grew by 9% on average over the last three years. The report also indicates that although the strong cyclical recovery has mended public balances, the political stand-off would likely delay further structural reforms aimed at tackling the public debt overhang, as well as the adoption of a budget.

Regarding the financial sector, the report indicates that it will continue to mitigate risks. Domestic banks, which hold the bulk of government paper, are liquid with low loan-to-deposit ratios (52.5%). Also, led by countercyclical Diaspora funds, total deposits of the non-financial sector amount to about 270% of GDP. With FX reserves standing at \$31.2 billion and gold reserves of US\$ 13.0 billion, the BdL is capable of converting all LBP deposits of the non-financial sector (equivalent to \$ 39.4 billion at end-Dec 2010) to US Dollar FX reserves, covering 100% of foreign currency debt and 70% of M2.

LEBANON AT THE TOP OF THE ARABIAN BUSINESS'S POWER 500

Lebanon topped the Arabian business magazine's Power 500, as the country of origin of the largest number of Arab influential personalities, with 17% of the total Arab participants in the ranking, being of Lebanese origin. Among the 83 Lebanese figures, the American scientist Charles Elachi held the 7th position, Nissan's Carlos Ghosn the 14th, and the designer Elie Saab the 28th place.

"BUILD IT GREEN LEBANON"

The dangers posed by environmental degradation are real. Water shortage is likely to threaten food production, reduce sanitation, hinder economic development and damage ecosystems. The idea behind green movements is that natural resources are limited, and they therefore must be managed in a sustainable way.

Governments, including Lebanon, around the world have taken a top down approach through regulatory frameworks and tax incentives for the development and usage of green technology. Concurrently, the private sector has been responding to society's demand for environmentally friendly products. Products ranging from hybrid cars to non-toxic house paints have been introduced in recent years.

The push to develop green buildings and residences has taken off in the in Lebanon. Besides many other governmental and private sector initiatives, "Build It Green Lebanon" Sustainability Solutions Conference was organized by e-EcoSolutions for the second consecutive year on the 28th and 29th of March at Monroe Hotel.

The conference aimed at promoting the construction of Green Buildings by focusing on cost effective solutions that can be implemented locally, with an emphasis on reducing environmental impact, improving long term economic performance and providing a healthier and more comfortable environment.

To this effect, international experts in the field of sustainable development discussed various topics related to the design, construction and operation of high performance green buildings. Other topics included water conservation, energy efficient solutions, environmentally friendly products, architectural sustainability and design creativity.

On the local front, the launching of the NEEREA (National Energy Efficiency & Renewable Energy Account) which provides partial loans at 0% interest to real estate developers of eco-friendly buildings in Lebanon as well as the ARZ Green Building Rating System which focuses on "greening" already existing commercial buildings were discussed.

Rankings of Lebanese Figures

Rank	Name	Sector of Activity
7	Charles Elachi	Science
9	Adib Domingos Jatene	Science
14	Carlos Ghosn	Transportation
22	Amin Maalouf	Arts and entertainment
28	Elie Saab	Culture and society
29	Ziad Rahbani	Culture and society
31	Elie Khouri	Media
79	Nabil Habeyab	Construction and Industry
83	Jameel Cheaib	Retail
86	Nayla Hayek	Retail

Source: Arabian Business

PROPERTY SALES TRANSACTIONS ON A DOWNWARD TREND

Figures released by the Directorate of Real Estate show a slowdown in real estate activity in the country since the beginning of the year. As a matter of fact, the number of property sales transactions declined by 18.7% in the first two months of 2011 relative to the same period of 2010 to reach 10,630 transactions. The contraction in real estate activity is attributed to the prevailing political tensions in the country and to the regional turmoil that is negatively impacting investor sentiment at large. Indeed, the second factor is attested by the yearly drop of 26.4% in sales transactions to foreigners over the first two months of 2011. Despite the decline in demand for property in Lebanon during the first two months of this year, property prices remained more or less stable during the said period. The value of property sales reached LP 1,805 billion in the first two months of 2011, down by a slight 1.1% relative to the first two months of the previous year. This drop is much lower than the drop in the number of transactions and has therefore resulted in a substantial increase of 21.6% in the average value per property sale in the first two months of 2011 relative to the same period of 2010 for it to reach LP 169.8 million.



CEMENT SECTOR IN LEBANON GROWING UP BY 4.7%

Figures released by the Central Bank of Lebanon show that cement deliveries, a coincident indicator of construction activity, reached 341,972 tons in the first month of 2011, up by 4.7% relative to the same month of 2010.

This growth in fact reflects continued investments in Lebanon in infrastructure and residential, offices, and commercial property to

cater for the relatively elevated demand for real estate in the country. As a matter of fact it shows that contractors pursued the development of real estate projects despite the political tensions witnessed in the first month of the year.

IRAQI KURDISTAN AN ATTRACTIVE HUB FOR ENTREPRENEURS

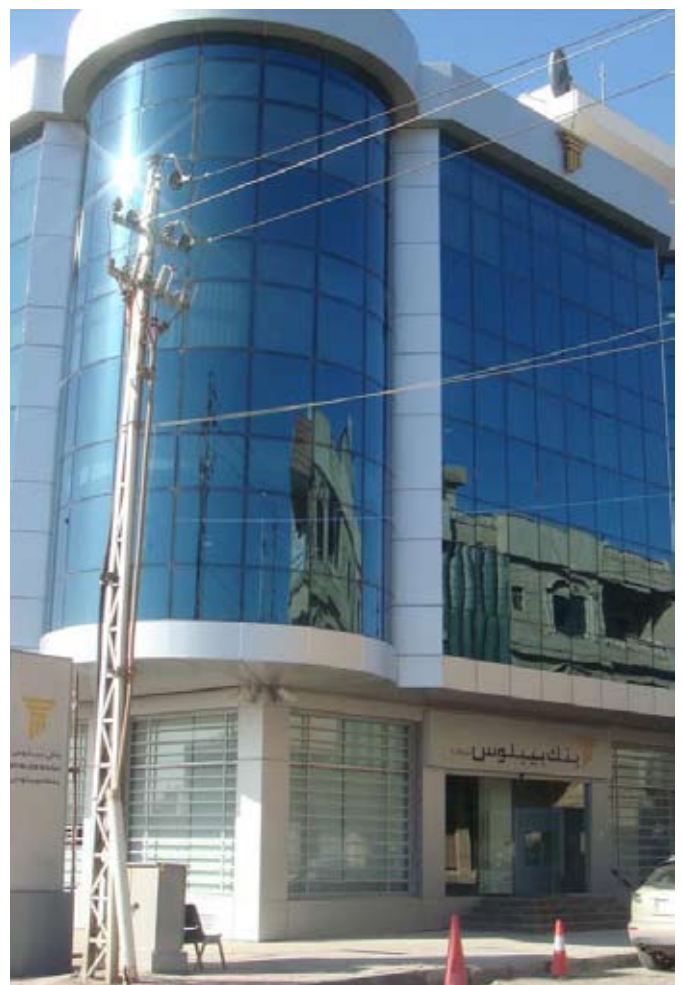
With a young and increasingly prosperous population of nearly 4 million, Kurdistan covers about 40,000 km². With its capital Erbil, Kurdistan enjoys a stable security situation and an emerging economy. Before 2003, Kurdistan was importing oil from neighboring countries at grossly inflated prices. Now, things have changed. Foreign companies have been awarded 37 contracts and the region has become a net exporter of oil. Now about 200,000 barrels a day, By 2014 Kurdistan should be exporting at least 1m barrels per day.

A liberal investment law, ratified by Kurdistan Regional Government (KRG) offers foreign investors incentives including customs relief, tax holidays and the right to repatriate profits. Kurdistan has a regulated banking and finance sector that provides a variety of banking services.

Based on the Dubai model, the Kurdistan Regional Government (KRG) is planning to expand the scope of the economy from purely oil-based to tourism and services. Ambitious plans have been announced for the construction of the industry practically from scratch, focusing on new intercity highways, airports and luxury hotels.

Over the past few years, northern Iraq has offered exciting investment opportunities. Efforts by the Kurdistan Development Corporation to attract top-caliber international investment to a region that has been described as the Northern Gateway to Iraq are fruitful.

With over 105 private sector investment projects worth over \$16 billion in the capital Erbil, plus Sulaymaniyah and Duhok, opportunities are abundant for everyone. One of the dazzling investment projects is the Damac company project, the capital of which will reach over \$6 billion. The project will be implemented over two stages each stage will cost \$3 billion dollars and will take five years to complete.



Byblos Bank branch in Erbil