

YOUR REAL ESTATE MARKET GUIDE

ASCOT

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WILL THIS SUMMER BE ANOTHER HIT?

And finally, after five months of tug of war over ministerial posts the Lebanese got a government headed by PM Najib Mikati who announced that the economic situation in Lebanon will be his first and foremost priority.

This is good news for everybody, because after posting an exceptional performance during the global financial crisis, the Lebanese economy was showing signs of slowdown in activity. The IMF that previously had projected Lebanon's GDP to grow

by more than 5% recently reduced its growth forecast to 2.5%, mostly on declines in tourism receipts and investment.

This drop will hopefully change its course following the formation of the Mikati government although the region's political troubles will continue affecting the country's economic activity. We hope the touristic season this summer will turn out to be another hit. Actually, investments in the hospitality sector received an instant boost following promises of improved stability in the country.

Yet, the planned international festivals in the New Beirut Seafront, in Byblos, Baalbeck, Beiteddine, Jounieh and many other touristic events in most Lebanese cities reflect the expectations of the Lebanese for another promising summer. And most definitely, this flow of tourists that could be less in numbers compared to the past few years, will be enough to give a big push to the real estate market.

While waiting for a promising summer, property demand has gone down between 10 to 30%, but ironically prices remain steady. Many economists anticipate that prices will decline soon but most real estate experts disagree. They even say that prices could go up during this summer when expats and tourists start visiting the country.

Let's talk figures. While figures released by the Directorate of Real Estate show a slowdown in real estate activity in the country since the beginning of the year and that the number of property sales transactions has declined by 21.2% in the first quarter of 2011 relative to the same period of 2010 to reach 17,373 transactions, construction area authorized by permits during the first four months this year has reached to 5.2 million sqm rising by 24.8% from the same period in 2010.

Actually, real estate prices in Beirut have never changed despite local political conditions, as the shortage of land plots in the capital, combined with a sustained demand, continues to provide support to land prices which weigh on end-user property prices.

It's a fact that uncertainty is a dominant factor in the property market, but this uncertainty which was attributed to wait-and-see investment environment will definitely change as investor mood begins to respond to the positive political changes.



HOUSING LOANS UP BY 10%

A 5 to 6 percent annual expansion in deposits is sufficient to cover Lebanon's financing requirements for the public and private sectors declared Central Bank governor Riad Salameh, following his monthly meeting with Association of Lebanese Banks chairman Joseph Torbey. He added that bank lending has increased by 10% up until April or \$1.5 billion, of which a large portion went to housing loans. Salameh reassured that the losses accrued by the Lebanon's financial sector have so far been marginal, although pressure continues to mount, with the dollarization rate of deposits climbing from 63% in December to 66% in April.

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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MAN ENTERPRISE TO BUILD SAMA BEIRUT

Sama Beirut recently announced its nomination of MAN Enterprise as the main contractor for the 50-floor Sama tower project.

MAN Enterprise officials estimate that the project would be completed by mid-2014. The basements would be completed in a period of 8 months, which would be continued by a 10-day cycle per floor, according to the same source. Sama Beirut is a 100% Lebanese project, positioned as a true landmark in the country. Strategically situated in Ashrafieh - Sodeco, the 50-storey tower stands 195 meters tall and 256 meters above sea level, according to newswires. Sama Beirut combines residential, office and commercial spaces into an arrangement of 6 exclusive boutiques, 7 floors of offices and 66 apartments starting at 295 square meters, according to the same source. Besides the gardens and landscapes, Sama Beirut is to be certified Green Building designed in accordance with Leadership and Environmental Design (LEED) requirements, according to the same source.

The project is currently in its excavation stage and would reach the ground floor level as of the first quarter of 2012, according to Sama Beirut executives. Till now, almost quarter of the project has been sold, according to the same source.

MAN Enterprise is an international construction industry player and currently has projects in several locations in the MENA region, namely Lebanon, Iraq, Jordan, Libya, Qatar and Sudan.



HILL INTERNAT'L TO WORK ON BEIRUT TERRACES

Hill International, the global leader in managing construction risk, has announced that it has been awarded a contract from Benchmark Development S.A.L. to provide project management services in connection with the \$140 million Beirut Terraces residential tower in Lebanon. The three-and-a-half-year contract has an estimated value to Hill of approximately \$1.6 million.

This 27-story high-rise tower, designed by Swiss architecture firm Herzog & de Meuron, will have a built-up area of 60,000 square meters and feature 131 luxury condominiums in the heart of Beirut's famed Mina el Hosn district. The condominium units of the multi-layered tower will be structured into diverse spatial configurations each with their own design. The units will feature contemporary, spacious "terraces" that create a flow of exterior space that is being dubbed a "Vertical Village." When complete, Beirut Terraces is expected to be one of the first buildings in Lebanon to be an eco-friendly tower.



ROCCO FORTE HOTEL IN BEIRUT IN 2014

Rocco Forte Hotel would open its doors in 2014 in Beirut, according to the chain's founder who did not provide further details on the project.

The British chain plans to open six hotels in the MENA region during the next three years, namely in Abu Dhabi (2011), Jeddah, Marrakech, Luxor and Cairo (2013), as per newswires.

The chain currently has 13 hotels in Europe, according to the same source.

AZADEA GROUP SIGNS AGREEMENT WITH ITALY'S CALZEDONIA GROUP

Azadea Group has entered into a multi-year franchise agreement with Italy's Calzedonia Group to launch the three brands owned by the group, namely Intimissimi, Calzedonia and Tezenis in the MENA region.

To date, Calzedonia Group boasts a 2,750 store-spread in the world's main cities such as Milan, Rome, London, Moscow, and Barcelona. Calzedonia Group manufactures and distributes items of leg wear, beachwear and underwear under the Calzedonia, Intimissimi and Tezenis brands since 1987. Based in Beirut, Lebanon, Azadea Group manages franchised brands for more than 25 years in the Middle East & North Africa, including more than 35 international brand names. The company operates over 370 stores spread over 11 markets including United Arab Emirates, Saudi Arabia, Egypt, Kuwait, Iraq, Qatar, Oman, Bahrain, Jordan and Lebanon.

LEBANON'S PROPERTY MARKET WILL BOOST UP SOON

According to ASCOT, property demand will increase in the weeks following the formation of the Mikati government, which will actually change the investment mood in the country and accordingly will increase the attractiveness of the Lebanese real estate sector during the summer holiday season.

On the other hand, continues ASCOT, property prices which have been rising by 25 to 30 percent on average for the last three years, and have hit their highest increase of 50 to 60 percent after the Doha agreement, in some areas have witnessed some correction by less than 10 percent since last summer.

While prices in Beirut have remained steady, the decline in other areas is so modest that could negate the predictions of many economists who expect additional decline. On the contrary, prices could go up again due to increase in demand because of a busy summer season and the hike of oil prices.

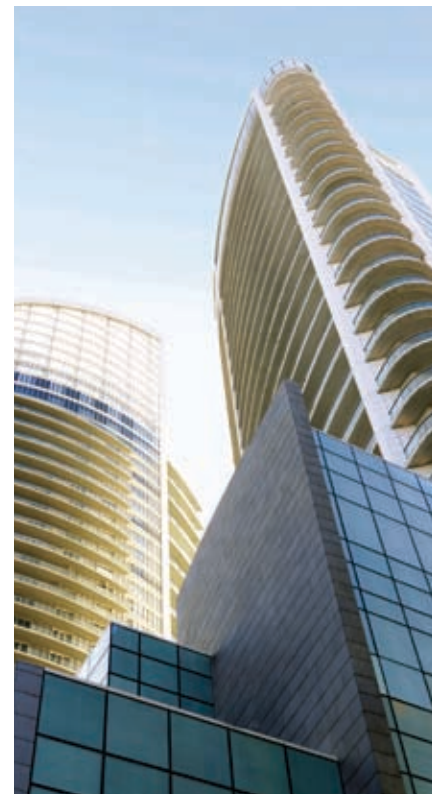
BEIRUT HAS A GROWTH POTENTIAL IN HOTEL SUPPLY

In its latest survey on the Middle East Hotel Sector termed "Shifting Sands", HVS noted that Beirut has not seen much growth in hotel supply over the last few years and is becoming increasingly attractive for investors and operators.

The most recent addition to supply in Beirut in 2010 was Le Gray Hotel and the Four Seasons Hotel, both of which are at the high end of the market. Lebanon accounted for 6% of new hotel openings in 2010, while the UAE accounted for 64%, Saudi Arabia for 15%, Qatar for 9% and Egypt for 6%. On the other hand, HVS indicated that Lebanon witnessed an 8% GDP growth last year, with passenger traffic growing by 10%, but the country needs to pave the way for political stability in order to consolidate on FDI gains in future years.

According to HVS, Beirut experienced a 4% fall in occupancy in 2010, despite an increase in visitation to the city. Beirut attracts a

balanced share of corporate and leisure demand, noting that the free independent traveler segment remains a lucrative source of income for the majority of cities in the Middle East, including the Lebanese capital. Lastly, the Middle East is set to attract additional operators and hotels in the coming three to five years. A total of 190 hotels – equating to approximately 61,000 hotel rooms – is currently under design or construction for the various cities. Beirut would have the least number of confirmed properties and is set to see the opening of five hotels, or approximately 1,000 keys, with the average size of proposed hotels being around 200 rooms. As for international flags in operation in the market, Accor, Four Seasons, IHG, Movenpick, Rezidor, Rotana, Starwood, and Wyndham are already present in Beirut, while Kempinski is expected to have upcoming properties in the Lebanese capital in the coming future.



LEBANON MISSING GREAT OPPORTUNITIES

At a conference organized by Byblos Bank and reported by the Daily Star, economist Garbis Iradian from Institute of International Finance says that Lebanon has missed a "golden opportunity" to become an investor's safe haven in an Arab region rattled by political turmoil. According to Iradian, continues the Daily Star, Lebanon's bureaucratic paralysis – brought on by the collapse of government and exacerbated by stalled government formation efforts, has staved off investment, in spite of the relative security the country currently provides when compared to neighboring Arab countries.

"In the absence of a new government in Lebanon, tourist arrivals and foreign direct investment are projected to decline significantly this year, and urgent reforms will be postponed, jeopardizing prospects for rapid medium-term growth," says Iradian.

On the other hand, HSBC sees the rise in oil prices supporting FDI in Lebanon. The rise in crude prices may encourage Arab oil producers to invest more in Lebanon, according to the chief executive officer of HSBC in the MENA region indicates a bank Audi report. The HSBC CEO 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.

Oil revenues from neighboring countries do not constitute the only source of investment in projects in Lebanon. However, the excess liquidity in the country's banking sector creates a good opportunity for Lebanese banks to allocate a good sum of money for construction. The HSBC CEO indicates that the banking sector is liquid enough to be a strategic partner in Lebanon's growth. Furthermore, the low levels of interest rates in Lebanon would enable the Lebanese banking sector to increase their lending activities, as per HSBC. The HSBC CEO also praises the resilience of the Lebanese banking sector and said that Lebanese banks have shown a great professionalism by offering a wide range of services.

IMF PROJECTS LEBANON'S REAL GDP GROWTH AT 2.5% IN 2011

In its semi-annual economic outlook for the Middle East and Central Asia region, the International Monetary Fund projects Lebanon's real GDP growth at 2.5% in 2011 compared to growth of 4.1% for the Middle East and North Africa economies, 1.9% for the region's oil importers and 1.5% in the Levant. Lebanon's projected growth rate in 2011 would make it the third slowest growing economy in the Arab world, ahead of only Tunisia at 1.3% and Egypt at 1%. It says this represents a sharp deceleration from the average 8% annual growth of the past four years, and largely reflects the impact of continued political uncertainty in the country and the region. The Fund notes that its lower growth projection takes into account the weak economic activity in the first quarter of 2011. It adds that the political deadlock and regional turmoil are affecting

commercial activity, tourism, and real estate investment, which are the main drivers of the Lebanese economy. It cautions that a recovery in the second half of the year would be insufficient to raise the annual growth rate to its recent levels. Also, it indicates that the delay in government formation will likely postpone the implementation of public investment spending to the latter part of the year or even to 2012, thereby limiting a possible fiscal stimulus. It considers that economic policy-making will be more challenging in this deteriorated economic context. The Fund forecasts the country's nominal GDP at \$42.5bn in 2011 relative to \$39.2bn in 2010, which would account for 11.4% of the Levant's aggregate GDP.

HOUSING LOANS THE MAIN GAINERS OF CREDIT EXPANSION

The high economic activity that has prevailed in Lebanon since 2006 has been accompanied by a rise in domestic lending activity as indicated in a report published by BLOM bank.

A different approach to credit analysis by BLOM reveals that the lending practices of Lebanese banks account for a significant part of the economy, but have been following a more conservative trend, which is being adopted in order to preserve a sound asset quality.

The sectorial distribution of credits in the financial sector shows that credits are being mostly extended to Trade & Services and Construction sectors which shares have accounted for the bulk of the total over the past decade. The share of credits provided to the former sector, representing 44% in 2000, peaked in 2003 at 45%, before shrinking to 36% in 2010. Construction has consistently ranked second in terms of credit receivers, with a share of 22.4% in 2000, which has been decreasing steadily to

reach 16% in 2010. In value terms, both sectors have been growing at a respective CAGR of 7.6% and 6.3% to reach \$13.9 billion and \$6.3 billion. The strong rise in Individual loans, among which Housing, led to a significant reduction in the shares of credits extended to the above mentioned sectors. Individual loans have been gaining significant ground with a share rising from 11.9% in 2000 to 23.5% in 2010. In particular, Housing loans made up 11.7% of the total last year, up from 5.5% in 2005.

Several factors supported the rise in Individual loans, in particular Housing loans. The issuance of new laws in 2005 facilitating foreign ownership in Lebanon stands among the key reasons as it, along with lower mortgage rates and a stable political and security situation, has backed the booming demand for real estate properties in the past few years and contributed to a rising share of extended credit.

CONSTRUCTION PERMITS REBOUND IN APRIL 2011

The construction sector showed a rebound in April 2011, following a temporary slowdown in the previous month, which tracked a relatively strong activity in the first two months of the year. Figures released by the Order of Engineers in Beirut and Tripoli reveal that the area of newly issued construction permits reached 1,538,171 square meters in April 2011, up by 16.2% relative to the same month of the previous year. It is worth noting that this rise follows a year-on-year drop of 20% witnessed in March 2011 and an increase of 17.2% registered in the first two months of 2011 relative to the first two months of 2010.

In the fourth month of 2011, investors have shown a resumed confidence to launch new projects, after this urge was somewhat dampened a month earlier as a result of mounting political pressure. 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. Still, the prolonged deadlock placed pressures on investors' sentiment as demonstrated by the plunge witnessed in March 2011. A month later, the resumption of construction projects suggests that investors have become more or less used to the political impasse in the country, and have thus pressed ahead with their projects.

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