

The Lebanese Real Estate Sector

Key Trends & Ratios	2004	2005	2006	2007	2008
FDI / Value of Real Estate Transactions	69.11%	84.68%	77.24%	83.49%	N.A.
Real Estate Investment Share of Total FDI	N.A.	N.A.	55.00%	60.00%	N.A.
Arab FDI Share of Total FDI	N.A.	N.A.	97.67%	95.90%	N.A.
Value of Real Estate Transactions / GDP	13.43%	15.29%	13.20%	16.94%	13.04%
Real Estate Transaction Values/ M ² of Construction Permits	\$374	\$438	\$417	\$534	\$619
Real Estate Transaction Values In Beirut / M ² of Construction Permits	\$946	\$849	\$741	\$973	\$1,248
Percentage Change in Average Crude Oil Price	32.80%	36.80%	17.52%	8.13%	54.68%
Percentage Change in GDP per Capita	8.02%	-0.86%	4.20%	6.88%	N.A.
Percentage Change in Average M ² Residential Price in Achrafieh	14.71%	38.80%	28.05%	24.56%	42.09%
Percentage Change in Average M ² Land Price in Achrafieh	N.A.	N.A.	60.00%	56.25%	80.00%
Percentage Change in Steel Prices	39.80%	1.46%	14.30%	12.83%	76.40%
Percentage Change in Cement Prices	-9.18%	-9.34%	9.46%	6.91%	13.64%
Percentage Change in Skilled Labor Cost	0.00%	0.00%	4.62%	14.19%	11.61%
Percentage Change in Euro / USD Exchange Rate	10.35%	-0.16%	0.90%	9.11%	10.67%

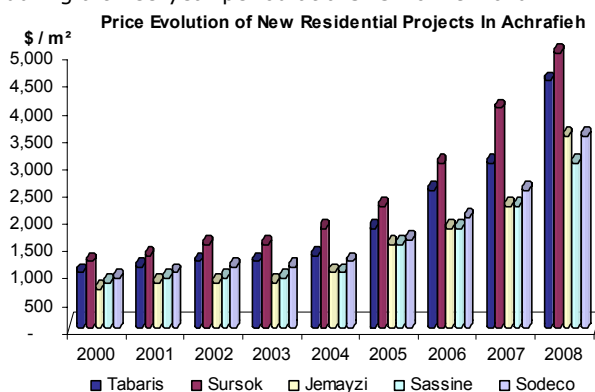
Key Figures	2004	2005	2006	2007	2008
Economy					
Average Oil Price / barrel	\$41.30	\$56.50	\$66.40	\$71.80	\$111.06 (4)
Average Euro / USD Exchange Rate	\$1.247	\$1.245	\$1.256	\$1.371	\$1.517 (4)
FDI (USD Millions)	1,993	2,791	2,321	3,486	N.A.
M2 Money Supply (USD Billions)	17.23	16.23	15.57	16.47	21.93 (3)
GDP (USD Millions)	21,465	21,558	22,759	24,640	24,300
GDP Per Capita (USD)	5,949	5,898	6,146	6,569	6,478

(1) Up to June 2008 (2) Up to July 2008 (3) Up to September 2008 (4) through October 21, 2008

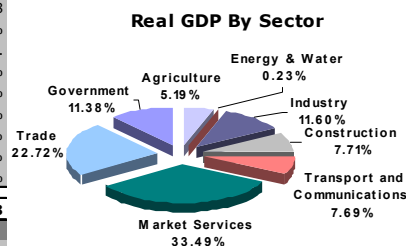
OVERVIEW

Lebanon has long been regarded as the financial center of the region and a hub into the Middle East. However, a fifteen year appalling civil war inflicted heavy losses on the country's economy, obliterated its infrastructure, and obstructed new investments. Lebanon, however, recuperated and engaged in a long journey to regain its pioneering role; a journey that was hindered but not deterred by a series of impediments and obstacles. In the first post war years, Lebanon engaged in a mega construction project and consequently, the once eradicated Beirut transformed to be the pearl of the East with high tech modern architecture while in the same time preserving its cultural heritage. Lebanon's moderate climate, fascinating nature in addition to its breathtaking views and sceneries made it a refuge for Arabs living in extreme temperatures. Concurrently, the Lebanese real estate sector blossomed following an influx of petrodollars from Arab investors and remittances from Lebanese expatriates willing to own a piece of land in their mother country. Lebanon's latest real estate rush was sparked by an excess of demand owing to a relaxed political situation and skyrocketing oil prices, coupled with soaring raw material prices that saw steel price reach record levels. Real estate prices were further fueled by a great deal of speculative activity which tended to render real estate properties overpriced. Furthermore the diminishing available supply, thanks to the country's small geographical nature, also played an important role in igniting the current real estate bubble.

Consequently, real estate prices commenced their exorbitant growth in 2005 rendering newly established real estate properties in prime locations unaffordable for the middle-income Lebanese household. Average prices in the Achrafieh area burgeoned from \$1,400/sqm in 2005 attaining \$3,000/sqm in 2008 recording an astounding 114% aggregate appreciation during a three-year period at a CAGR of 29.26%.


CREDIT LIBANAIS RESEARCH UNIT

Research: **Credit Libanais Research Unit**
 E-mail: research@creditlibanais.com.lb
 Phone/Fax: +961 1 326 786



Source: The Lebanese Ministry of Economy

The promulgation of relaxed investment legislations pivoting around a laissez faire economy, a sound banking system, and a lenient tax regime renewed real estate investment appetite in Lebanon.

FINANCIAL HIGHLIGHTS

The past couple of years have witnessed an unprecedented rally in construction material prices including steel, cement, and wood. This was largely attributed to soaring oil and other commodities prices, with the average price of crude oil escalating by a compounded annual growth rate of 29% since 2003 to \$111.06 per barrel as at October 21, 2008. In parallel, average steel prices have skyrocketed by a compounded annual growth rate of 26.40% to \$1,054 per ton throughout the same period. Concurrently, the euro currency has been accumulating steam since 2004, appreciating by 21.65% on a cumulative basis to an average of \$1.517 as at October 21, 2008. Said factors, among others, have fueled global inflationary pressure. This has translated into a substantial 13.51% annual expansion in Banque Du Liban's consumer price index to a reading of 123.36 through August 2008.

With all construction ingredients and accompanying labor costs on the rise, the real estate price curve in Lebanon and the region steepened since 2005. This has lured investors' speculative desires, a phenomenon which spurred demand in prime locations and transformed Beirut into a gigantic construction field. Real estate transaction values have been growing by an average annual growth rate of 18.62% since 2004 to \$3.17 billion through July 2008. Construction permits were no exception, preserving their positive momentum during the same period. Consequently, the ratio of real estate transactions to GDP mimicked the trend firming at 16.94% in 2007 from 11.52% in 2002.

FUTURE PROSPECTS

Notwithstanding the global financial turmoil, and in spite of the correlation of financial and capital markets Worldwide, Lebanon has demonstrated historically resilience to political and economic shocks. This owes to the efficient role of the Lebanese Central Bank in isolating, to a certain extent, by means of stringent and efficient regulations, the performance of the Lebanese banking sector from any domestic or global turbulence. Being a catalyst for economic prosperity with minimal exposure to high volatility securities, added a healthy liquidity level, the Lebanese banking sector remains immune from any imminent crash. With home owners in Lebanon being largely dependant on banking sector financing, it is unlikely that the Lebanese real estate sector will reverse its robust momentum in the intermediate to long run.



IMPORTANT NOTICE

This Information Booklet has been prepared by the Research unit at Credit Libanais, sal, on the basis of published information and other sources which are deemed reliable. It is intended for limited use only and its distribution is strictly prohibited. Credit Libanais does not make any warranty or representation, expressed or implied, as to the accuracy or completeness of the materials contained herein. Neither the information nor the opinions expressed herein constitute, or are to be construed as an offer or solicitation of an offer to buy or sell investments. Opinions and data expressed herein are subject to change without notice.



TABLE OF CONTENTS

I. OVERVIEW	1
II. MARKET HIGHLIGHTS	4
III. DEMAND AGGREGATES	5
A. REAL ESTATE PROPERTY TRANSACTIONS	5
B. PRIME LOCATIONS AND RELATIVE PRICING	7
1. BEIRUT CENTRAL DISTRICT	7
2. RAS BEIRUT	8
3. ACHRAFIEH	8
IV. SUPPLY AGGREGATES	9
V. COMPETITIVE ANALYSIS	11
A. SEGMENTATION OF THE REAL ESTATE SECTOR IN LEBANON	11
1. RESIDENTIAL PROJECTS	11
a) OVERVIEW	11
b) THE RESIDENTIAL MARKET	11
c) FINANCING THE RESIDENTIAL PROJECTS	18
2. COMMERCIAL PROJECTS	18
a) OFFICES	18
b) RETAIL AND SHOPPING MALLS	19
c) HOSPITALITY & TOURISM	22
B. INVESTMENT POLES	24
1. FARAYA	24
2. JAMHOUR	24
3. CLEMENCEAU	25
4. NAHR EL MOTT – DBAYEH	26
5. QOREITEM	26
C. THE LEBANESE COMPANY FOR RECONSTRUCTION AND DEVELOPMENT – SOLIDERE	27
1. SOLIDERE'S PROJECTS	27
a) SEAFRONT	27
b) SPECIAL SOUKS	27
c) SAIFI VILLAGE	27
d) WADI RESIDENCE	27
e) MARINA TOWER	28
2. SOLIDERE'S INTERNATIONAL OPERATIONS	28
D. NEW PROJECTS IN THE PIPELINE	28
1. MENA CAPITAL PROJECTS	28
2. SOCIETE DE CONSEIL ET DE GESTION IMMOBILIERE	29

3. OTHER LANDMARK PROJECTS	30
VI. S.W.O.T ANALYSIS	32
A. STRENGTH AREAS	32
B. WEAKNESSES	32
C. OPPORTUNITIES	32
D. THREATS	32
VII. COMPETITION IN THE REAL ESTATE MARKET	34
VIII. INVESTMENT DRIVERS IN LEBANON	35
IX. REGULATORY FRAMEWORK	36
A. CAPPING ON FOREIGN OWNERSHIP OF REAL ESTATE PROPERTY	36
B. REGISTRATION AND TAXATION	36
C. ZONING	37
D. WORKS EXEMPTED FROM DECLARATION	38
E. WORKS REQUIRING PREVIOUS DECLARATION	38
F. TECHNICAL CONDITIONS OF DECLARATION EXEMPT ACTIVITIES	38
G. BALCONIES, VERANDAS AND PORCHES	
H. BDL CIRCULARS BINDING REAL ESTATE ACTIVITIES	39
I. RENTAL LAW	39
X. STATISTICAL ANALYSIS	42
A. RECENT STATISTICS IN BEIRUT	42
1. RENTAL INCOME TAX	43
2. TRANSACTION COSTS	43
B. PRICING TRENDS BY REGION	45
1. EVOLUTION OF RESIDENTIAL PRICES	45
2. EVOLUTION OF LAND PARCEL PRICES	47
C. THE REAL ESTATE RIDDLE	49
1. FACTORS INFLUENCING THE REAL ESTATE AND CONSTRUCTION SECTOR IN LEBANON	49
a) LOW INTEREST RATES	50
b) EXCESS LIQUIDITY IN THE REGION	50
c) PRICES OF RAW MATERIALS	51
d) LAWS ON FOREIGN OWNERSHIP AND LOW TAX RATES	53
e) POLITICAL SITUATION & FOREIGN DONORS' SUPPORT	53
f) DEMAND VERSUS SUPPLY OF REAL ESTATE	53
g) CORRELATION WITH REGIONAL AND GLOBAL FINANCIAL MARKETS	54
2. REGRESSION ANALYSIS	54
3. IMPACT OF THE GLOBAL TURMOIL ON LEBANON'S REAL ESTATE SECTOR	56
<u>ANNEXES</u>	
ANNEX 1: REAL ESTATE INDICATORS	61
ANNEX 2: MACROECONOMIC INDICATORS	62

Synopsis of Terms

"Credit Libanais"	Credit Libanais SAL
"BUA"	Built-Up Area
"BCD"	Beirut Central District
"LBP"	The Lebanese Pound
"\$"	The United States Dollar
"USD"	The United States Dollar
"IDAL"	Investment Development Authority of Lebanon
"CDR"	The Council for Development and Reconstruction
"Sqm"	Square Meter
"m²"	Square Meter
"CAGR"	Compounded Annual Growth Rate
"BDL"	Banque Du Liban
"Solidere"	The Lebanese Company for Reconstruction and Development
"VIX"	Stock Volatility Index
"FTSE 100"	Financial Times Stock Exchange Index
"GCC 200"	Gulf Cooperation Council Equity Index
"CLCI"	Credit Libanais Construction Stock Sector Index
"Correlation"	Coefficient of Correlation between Two Variables
"GDP"	Gross Domestic Product
"UAE"	United Arab Emirates



I. Overview

Lebanon naturally lies at the crossroads of Africa, Asia and Europe, representing a point of entry to a large regional market around major Arab countries and reaching into Iran, Eastern Europe, part of North Africa, and Southern Russia.

With modern telecommunications, a new airport, expanding port facilities, and a massive road rehabilitation program, Lebanon's infrastructure is currently on the road to be one of the best in the region.

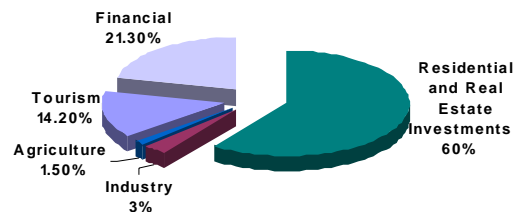
Lebanon offers for investors a broad range of investment opportunities in all sectors of the economy, more specifically in tourism and real estate.

The real estate sector comprises residential towers, hotels and furnished apartments, shopping malls, office space, warehouses and raw land.

The oil boom in the early seventies was accompanied by a surge in Gulf investments into the Lebanese economy in general and in the real estate sector in particular. The Lebanese war, however, took its toll on the real estate sector which stagnated on the back of a liquidity squeeze and lack of foreign direct investments, with investors' wealth fleeing out of the country. In the early post-war period (1990-1996), Lebanon witnessed a construction boom, thanks to a revitalized confidence in the Lebanese economy, which expanded at an average annual rate of 6.5% in real terms between 1991 and 1996, and its capacity to convalesce coupled with the influx of money from Lebanese expatriates in the troubled West African States.

The Government agency IDAL ("Investment Development Authority of Lebanon"), established in 1994, helped foreign investors set up in Lebanon. Since IDAL's inception, Foreign Direct Investment advanced significantly to reach \$3,485 million in 2007^[1]. Arab FDI inflows contributed around 95.90% and 97.67% of total 2006 and 2007 FDI respectively. The following table portrays the year 2007 distribution of FDI inflows by economic sector:

Distribution of FDI Inflows by Economic Sector



In its efforts to complement the boom in the private sector construction activities, the Government has established the Council for Development and Reconstruction (CDR). The CDR is responsible for preparing and monitoring the implementation of public investment projects as well as attracting foreign investments. The CDR played a major role in financing the reconstruction plan of the Lebanese infrastructure in the aftermath of the war devastations, through foreign financing facilities from 35 different financing resources. By the end of 2006, the CDR had secured some \$8.077 billion in financing in the form of grants, soft loans, commercial loans, export credits and commercial loans^[2].

The bulk (34%) of foreign financing was directed at rehabilitating the Lebanese infrastructure which was obliterated during the Lebanese civil war. Besides developing the physical infrastructure, the CDR paid special attention to the rehabilitation of the country's social infrastructure (education, public health and housing compensation).

According to the Lebanon Opportunities' magazine, while Lebanon was witnessing the rise of new luxury hotels, shopping centers and office and residential buildings, demand was at an all-time high for construction equipment, technology and services as well as for associated technologies such as environmental water and stone technology. The construction boom has stimulated demand for all types of furniture and interiors.

The construction boom in the early nineties was followed by a recessionary period that extended from mid 1996 till the year 2000. The recessionary period was sparked by an Israeli aggression on Lebanon in 1996 (Grapes of Wrath) which shook the confidence of foreigners and Lebanese expatriates in the Lebanese economy.

The Lebanese economy, however, bounced back in the aftermath of the 2001 attacks on the United States with Arab funds being repatriated into the region. Consequently, the real estate sector witnessed a rebound on the back of the influx of large Arab investments. Arab investors acquired more than 2.03 sqm of land in Lebanon between August 2001 and March 2004. The bulk of the investments came from Saudi Arabia, Kuwait and the UAE ^[3].

In the year 2003, the real estate market in Lebanon has witnessed a high level of demand for the purchase of land by Arab nationals. According to RAMCO, the real estate advisors founded in 1973 by Mr. Raja Makarem, 85% of real estate transactions have been concluded for more than 900,000 sqm of land in Lebanon ^[4].

The Beirut Central District ("BCD") has regained its role as the cornerstone of commercial and business activity in the city, housing a variety of administrative, entertaining, and cultural activities. Yet, there are many ongoing and planned multi-million USD projects in the pipeline, including the high-rise Marina Towers, the built-up area Souks project, the Formula One track and many more. The Beirut Central District has witnessed a Gulf investment activity on the front coastline where the prevailing prices of an apartment range between \$3,500 and \$4,000 (seafront \$6,000) per square meter of built-up area in the traditional BCD area. Rental prices in the BCD hover between \$600 to \$1,000 per square meter per year for retail outlets and \$250 per square meter per year for office spaces. In parallel, the development of Saifi Village II in the Saifi region, which is at proximity to the BCD, has reignited demand for residential, retail outlets, offices, and leisure and entertainment activities in the area. This has fueled real estate prices in the Achrafieh region and its suburbs.

In 2005, Gulf investors swarmed to invest in the Lebanese real estate sector following the promulgation of several decrees facilitating foreign ownership in Lebanon.

Consequently, the real estate market in Lebanon has witnessed a spike of Arab investments in purchasing real estate properties in 2005. According to Al Iktissad Wa Al A'mal Magazine, Arab investors purchased more than 3,523,950 m² of land in

Lebanon in 2005 compared to 1,571,323 m² in 2004 ^[5]. The following table highlights foreign ownership by Caza for the year 2005:

Foreign Ownership by Caza - Year 2005			
Caza	Surface (m ²)	Caza	Surface (m ²)
Baabda	461,714	Zahle	395,485
Aley	223,304	Beirut	84,928
North Metn	1,385,128	Chouf	29,374
Jbeil	89,690	Miniyeh	75,660
Kisrwan	81,321	Nabatieh	57,198
Batroun	157,612	Bint Jbeil	482,536

Source: Al Iktissad Wa Al'Amal Magazine

As for the preferences of the Arab investors, most Saudi investors are oriented towards residential and partly for commercial and tourism projects. According to Al Iktissad Wa Al A'mal Magazine, U.A.E nationals, on the other hand, acquired about 379,665 m² in Beirut and Mount Lebanon with a concentration on tourism projects ^[5].

The real estate activity expanded to cover the regions of Northern Metn, Bhamdoun, Faraya, Ajaltoun, Faitroun, Baabdat suburbs, Fakra, and Kfradebian. These investments were in the form of villas, private large apartments, and some tourism oriented projects.

Lebanon's prosperous journey, however, suffered another setback in late 2005. A series of political assassinations, followed by an Israeli aggression in 2006 and a political deadlock which eventually lead to military clashes in Lebanon have altogether obstructed the investment climate in Lebanon and several multi-million real estate projects were suspended (Beirut Gate and Phoenician Village). The 2006 atrocities brought upon by the Israeli aggression had a devastating effect on the Lebanese infrastructure with some 30,000 housing units, 110 bridges and more than 30 vital infrastructure facilities partially or completely destroyed. The unanticipated hostile war, which stroke Lebanon in mid 2006, generated substantial direct and indirect losses estimated at \$2.8 billion and \$15 billion respectively, according to the United Nations Development Program. Subsequently, Lebanon suffered from escalating political tensions and civil conflicts which further aggravated the economic and investment environment. This has prompted local authorities to call for foreign aids in the form of grants, donations and other forms of support (deposits at the Central Bank) with the endeavor to finance part of said losses and ease the pressure on the Lebanese pound. During the Stockholm conference held on August 31st 2006, Lebanon secured pledges worth some \$896 million from donor countries. The \$896 million grant does not include financial aid from Saudi Arabia and Kuwait which together totaled \$800 million. The Government of Sweden invited representatives of 40 Governments and 20 institutions to meet in the Swedish capital in order to raise money for Lebanon. The following tables list the projects in need for financing and the contributions amounts by country ^[6]:

Projects	USD Million	Source	USD Million	% Contribution
Prefabricated houses	75	Qatar	300	33.48%
Unexploded Bombs	4.15	Arab Fund of Economic and Social Development	114	12.72%
Electricity	114	UAE	70	7.81%
Telecommunication	134	Saudi Arabia	60	6.70%
Transport	484	USA	55	6.14%
Infrastructure	152	EU	54	6.03%
Health, Education, water	87	Italy	38	4.24%
Environment	53	Spain	34	3.79%
Palestinian Refugee Camps	3	Germany	28	3.13%
Agriculture	34	France	26	2.90%
Industry	220	Sweden	20	2.23%
		Other	97	10.83%
		Total	896	100.00%

Source: Credit Libanais Weekly Market Watch

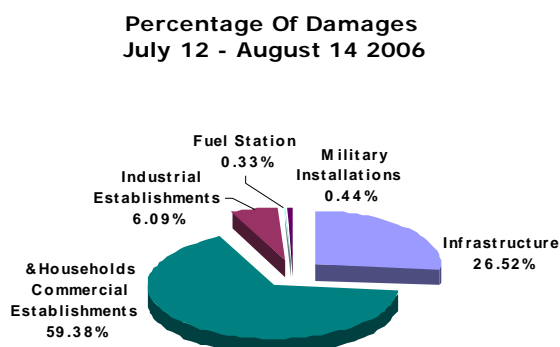
Source: Credit Libanais Weekly Market Watch

CREDIT LIBANAIS RESEARCH UNIT

According to the Parliamentary Commission of Public Works, Energy and Water and the Council for Development and Reconstruction (CDR), the total direct cost of damages (excluding the high indirect costs such as tourism and agriculture) reached \$3.612 billion during the period July 12, 2006 to August 14, 2006. The following table and chart uncover the cost of damages on infrastructure, households & commercial establishments, industrial establishments, fuel stations and military installations ^[6]:

Cost of Direct Damages - USD Million	
Infrastructure	958
- Road & Bridges	429
- Airports	55
- Electricity	244
- Telecommunications	116
- Water	80
- Schools & Hospitals	34
Households & Commercial Establishments	2,406
Industrial Establishments	220
Fuel Stations	12
Military Installations	16
Grand Total Up To August 14, 2006	3,612

Source: Credit Libanais Weekly Market Watch



The following table reveals the cost of physical damages since the beginning of the Israeli hostile attacks on Lebanon which aggregated to \$4.3 billion as at end of July 2006 ^[6]:

Physical Damage from Israeli Attacks on Lebanon (Million USD)						
Year	Hospitals & Military Inst.	Roads & Infrastructure	Housing & Comm.Estab	Airport & Radar	Industrial Estab.& Fuel Stations	Total
1968	-	12	-	78	-	90
1970-1974	5	-	30	15	-	50
1978	5	10	200	5	-	220
1979-1981	1	3	12	-	-	16
1982	70	50	825	30	-	975
1983-1990	2	20	-	-	-	22
1993	20	40	200	-	-	260
1996	2	7	144	-	-	153
1999	-	40	-	-	-	40
2006 (12 th -31 th July)	16	730	1,463	55	200	2,464
Total	121	912	2,874	183	200	4,290

Grand Total = USD 4,290 Million

Source: Credit Libanais Weekly Market Watch

Nevertheless, the Doha agreement in early 2008, which ended the political stalemate and led to the election of a president and to the appointment of a unity Government, restored the level of confidence in the Lebanese economy and pulled real estate prices up by 15-20% on the back of the exponentially growing demand according to the real estate consultant Mr. Raja Makarem ^[7].

II. Market Highlights

In the post-war period, Lebanon witnessed a boom in the Lebanese real estate sector. This has triggered an unbalanced market with an excess of supply over demand for apartments and offices, leading to unsold apartments. In the past few years, however, demand and supply came more into balance.

On the same front, a number of international and local companies namely Procter & Gamble, Merrill Lynch, Bank of New York and American Express Bank were enticed by Lebanon's potentials and prospects in the early nineties and decided to adopt Lebanon as a foothold for their operations in the region.

The office real estate sector witnessed a rebound in supply in the late 1990s whereas demand remained relatively stable and thus stirring an over supply crisis. The excess in supply was mainly driven by speculation and rumors of an imminent boom in the Lebanese real estate sector. In reality, demand for office space remained sluggish owing to the troubled political environment and dull economic activity. Consequently, many international companies refrained from choosing Lebanon as a regional center for their services and opted for the economic effervescent, albeit more expensive, GCC countries.

Shopping malls are witnessing a big success recently, housing altogether the needs of modern shoppers, cinemas, restaurants, cafés and playgrounds for children. Shopping malls such as ABC, Boulevard, City Mall and others are increasing the supply of retail space facing a robust demand.

Residential units, on the other hand, have been witnessing a sizeable demand from Arab nationals and Lebanese expatriates, particularly since April 2005. Said rally can be largely attributed to the sharp increase in liquidity that followed the rise in oil prices coupled with the Saudi stock market crash in 2006 which attracted Gulf investments in a promising and prosperous Lebanese real estate market. This has created a demand rush which was translated by a high volume of pre-launch sales activities.

Another aspect of the real estate sector is the demand for renovated buildings which are facing a smaller scale demand owing in part to the inappropriate partitioning of the apartments coupled with the small amount of space they offer which rendered them not appealing for companies.

Geographic locations were dissimilarly affected by the recessionary period in the late nineties. While areas like Bologna, Dhour el Choueir, and Beirut have witnessed a sustained demand, demand for real estate property in Kaslik (Keserwan Caza) and Rabieh (Metn Caza) was on the downside.

According to Markaz Company, Arab FDI in Lebanon, a major indicator of liquidity, rose at a compounded annual growth rate of 40% from \$650 million in 2002 to \$2.5 billion in 2006 ^[8].

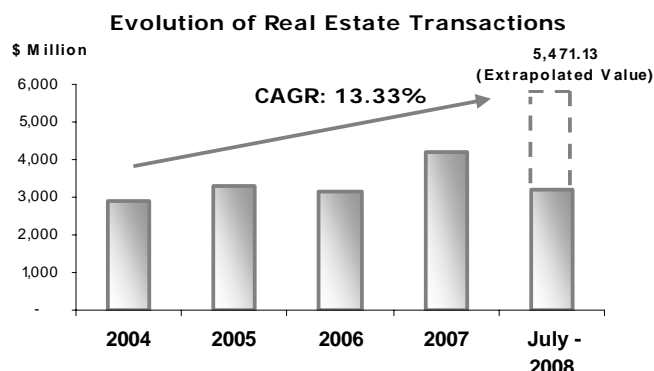
III. Demand Aggregates

The real estate sector in Lebanon is to a great extent dependent upon demand by Lebanese expatriates. Residential and commercial projects under construction are 60% acquired by expatriates ^[9].

A. Real Estate Property Transactions

In the past few years, the Lebanese real estate sector witnessed a healthy growth driven by a mix of fundamental factors including the surge in liquidity in the Arab region, added the reform measures pledged by the Lebanese Government towards international donors during the Paris II and Paris III Donors' meetings, coupled with drastic fiscal and monetary measures undertaken by the Lebanese Government. The

value of property transaction has grown at a compounded annual growth rate of 13.33% over the period extending between 2004 and 2007 to reach LBP 6,329.05 billion (\$4.2 billion) as at year end 2007 and LBP 4,811.18 billion (\$3.19 billion) as at end of July 2008 ^[10].

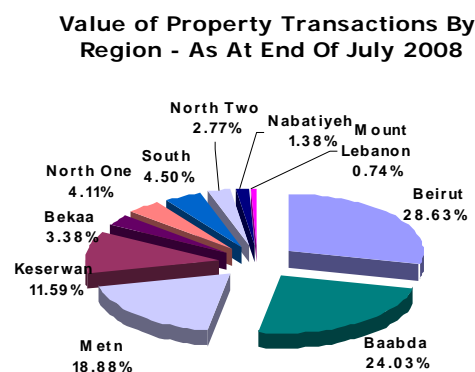


The following table portrays the evolution of the values of property transactions by region for the period 2004- July 2008 ^[10]:

Value of Property Transactions - LBP Million					
Cities	2004	2005	2006	2007	July - 2008
Beirut	1,630,782	1,618,008	1,614,857	2,354,434	1,377,321
Baabda	1,037,877	1,114,181	1,090,202	1,388,449	1,155,994
Metn	625,808	1,001,334	776,418	1,016,764	908,313
Keserwan	368,972	459,077	537,712	587,116	557,582
Bekaa	148,253	122,270	140,537	177,962	162,442
North One	176,522	185,214	206,636	269,024	197,885
South	175,310	255,193	179,934	273,556	216,469
North Two	88,358	137,285	103,107	129,470	133,443
Nabatiyeh	53,846	68,688	60,345	96,774	66,181
Mount Lebanon	42,334	18,710	22,875	35,508	35,551
Total	4,348,063	4,979,962	4,732,623	6,329,056	4,811,181

Source: Real Estate Registry, Audi-Saradar Research Department

The following pie chart depicts the distribution of real estate transaction values by region during the year ended 2008:



As shown in the preceding table, the value of property transactions peaked in 2007 at LBP 6,329.056 billion (\$4.19 billion), 33.73% higher than the year 2006. The number of real estate transactions has also gained steam in 2007 and 2008 as elaborated in the following table ^[10]:

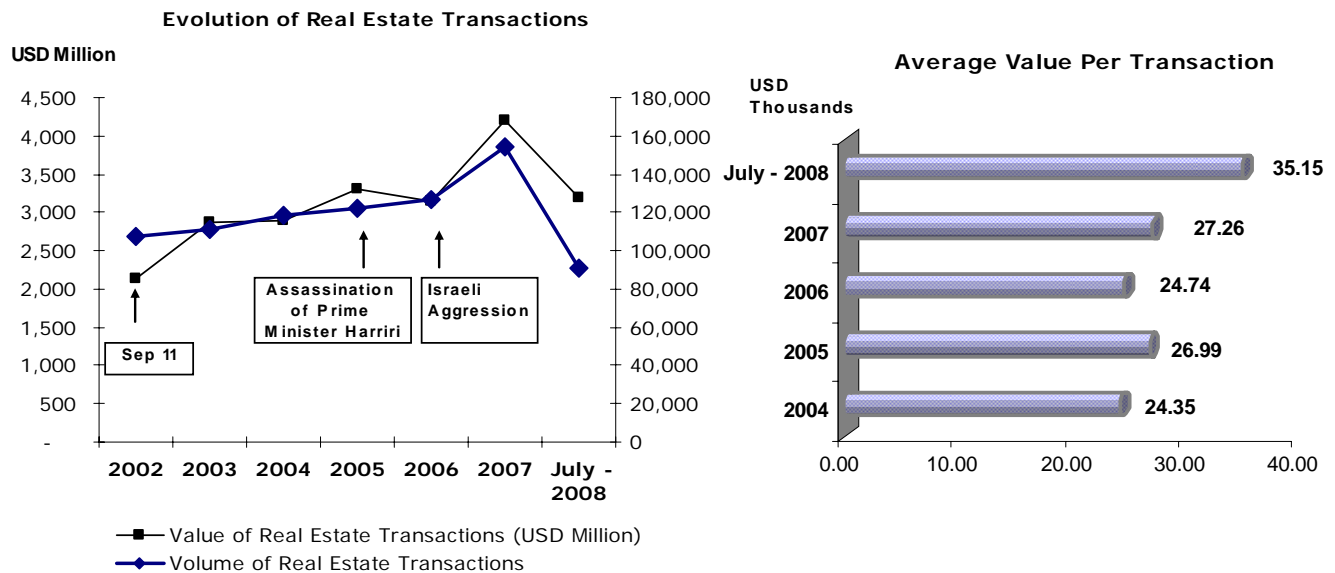
Real Estate Transactions - LBP Million					
	2004	2005	2006	2007	July - 2008
Value of Real Estate Transactions	4,348,063	4,979,962	4,732,623	6,329,056	4,811,181
Number of Real Estate Transactions	118,359	122,453	127,016	154,158	90,803
Average Value Per Transaction	36.74	40.67	37.26	41.06	52.98

Source: Real Estate Registry, Audi-Saradar Research Department

During the period extending between 2005 and the Israeli War which stroke Lebanon in July 2006, demand remained mostly unaffected by the deteriorating events. Afterwards, however, the real estate market bounced back in early 2007 and through July 2008 with 154,158 and 90,803 real estate transactions respectively. Some real estate experts, however, perceive this as a negative indicator considering Arab investments are speculative in nature. Said speculation tends to overestimate demand and subsequently inflates real estate prices.

The Lebanese real estate market flourished between 2005 and 2006, thanks to the influx of Arab and Lebanese expatriates' investments. After incurring massive losses in the Gulf stock market, Arab investors opted to direct the excess liquidity from the recent oil boom to the relatively safe real estate markets.

In the first half of 2008, the Doha accord, the election of President Michel Sleiman, and the formation of a national unity Government relaxed the political and investment climate and bolstered the demand for real estate properties.



B. Prime Locations and Trends In Real Estate Prices

Beirut is the heart of the real estate sector in terms of real estate demand and price dynamics. According to real estate experts, demand is concentrated in Achrafieh, Rmeil, Gemmayze, Badaro, Mathaf, Ras Beirut, Raouche and Verdun.

1. Beirut Central District

The Beirut Central District is witnessing an unprecedented construction boom with several projects under development. According to RAMCO, a real estate advisory company founded in 1973 by Mr. Raja Makarem, the average prices of new apartments in the BCD start at \$5,500 per square meter, while the seafont apartments' starting prices range between \$7,000 and \$7,500 per square meter [11].

RAMCO also estimates that the downtown area is the primary destination of Arab



investors with certain projects in the BCD having more than 70% of Gulf nationals. Gulf inhabitants have always showed appetite to own apartments in the West of Beirut in luxurious complexes such as the Horizon Tower, Al-Manara (Ain el-Mreisseh), Manara 587, Astoria (Manara), Bahri Gardens, Dream Bay (Raouché) and in Ramlet el-Baida. Nevertheless, they tend to move away from the sea front to acquire apartments in Verdun and Koreitem. The building "Twin Towers" of the developer Mr. Jamil Ibrahim has also attracted Gulf tenants ^[11].

2. Ras Beirut

- Hamra

Over the previous two years, the Hamra region witnessed a substantial rally in residential apartment's prices averaging \$3,000 per square meter for first floor apartments. Hamra attracts doctors, teachers in addition to local and foreign students pursuing their education in the area's top universities.

The Hamra region engulfs an array of institutions and enterprises offering a broad range of services:

- Hamra holds several commercial centers and supermarkets (Co-op, Idriss and Smith' S), hundreds of shops and around 70% to 75% of banking agencies;
- The area also accommodates three major universities namely the American University of Beirut, the Lebanese American University and Haigazian, and four hospitals namely the American University Hospital, Najjar, Trad and Clemenceau Medical Center, and hundreds of private doctor's clinics; and
- The district is at a close proximity to the Downtown, Achrafieh, Verdun and the Beirut airport.

According to RAMCO, the Hamra region may be divided into two major residential zones ^[11]:

- The Northern region, near the AUB along the streets Makhoul, Jeanne d'Arc, Sidani and Maamari.
In said region, the average prices of new projects underway is around \$3,000/m², 10% to 20% more expensive than the prices in Furn el-Hayek.
- The Southern region of the Hamra district offers lower prices. This region is more affordable for middle-class investors, seeking small apartments (100 m² to 250 m²) for a budget ranging between \$150,000 and \$300,000. Thus, the asking prices vary between \$1,000/m² and \$1,200/m².

- Qoreitem

The Koreitem region is conceived as a high-end residential spot. Nine projects are currently under construction priced at around of \$3,500 per square meter ^[11].

- Jnah

According to Mr. Makarem, Jnah is one of the best examples of the real estate boom evidenced in Lebanon today with a healthy growth in demand and escalating prices averaging \$2,000 - \$2,500 per square meter ^[11].

3. Achrafieh

- Furn El Hayek

New residential projects are priced in conformity with prices in downtown Beirut starting \$3,000 per square meter. New residential apartments in the Abdel Wahab area are priced at around \$4,000 per square meter ^[11].

- Sioufi

The demand is boosting in this region where buyers are seeking calmity and proximity to the National Museum where prices are cheaper than in Achrafieh. Eleven new residential projects are currently underway ^[11].

- Monot

The Monot district entered in a transitional period. Whereas the restaurant sector is losing speed, the residential sector is gradually booming ^[11].

The prevailing changes in the region can be explained by the development observed in the Damas street and the Gemmayze district. Monot witnessed a noticeable increase in residential projects following suit with the latest CGI (Conseil & Gestion Immobilière which is the real estate development arm of the Audi-Saradar Group) project "Hugo 43". The project consists of a 22 storey building comprising 40 apartments with areas ranging between 300 m² and 1,400 m². The selling prices for the first floor are set at \$3,500 per square meter with an incremental \$100 per square meter for upper floors. Although the project is in its early construction phase, pre-launch sales exceeded 50% ^[12].

- Gemmayze

This area is currently considered under the spotlight particularly for leisure and entertainment. The boom in restaurants and pubs has acted as a catalyst to the evolution of rental prices which burgeoned by some 260% in a four year period.

The flourishing real estate sector in the Saifi and Gemmayze regions is particularly geared towards residential towers. Currently, eight buildings are under construction (Convivium V, Convivium III, Medawar Tower, Saifi Homes, Saifi Pearl, Saifi 622, Al Dalal Residence, and Saifi 606). The average prices of apartments in said area rose from \$1,200/m² in 2002 to \$2,000/m² in 2007 ^[11].

IV. Supply Aggregates

Construction permits and cement deliveries are the main indicators of property development and supply. Lebanon's registered construction permits aggregated to 7,859,177 sqm in 2007, a 4.34% annual appreciation compared to the 7,532,137 sqm accumulated through 2006 ^[13].

The table below sketches the evolution of construction permits for the period 2005-September 2008:

Evolution of Construction Permits								
Cities	2005		2006		2007		Sep-08	
	Number	Area (m ²)	Number	Area (m ²)	Number	Area (m ²)	Number	Area (m ²)
Beirut	1,119	1,264,674	1,077	1,445,479	953	1,604,800	723	1,237,807
Mt. Lebanon	5,946	4,033,744	5,111	4,284,540	5,214	4,334,254	4,121	4,055,148
North	367	602,780	161	147,808	145	156,618	127	120,291
Bekaa	2,034	823,744	770	529,420	814	575,868	711	466,038
South	918	447,924	1,278	719,583	1,348	814,993	1,272	940,647
Nabatieh	1,148	361,963	894	405,307	852	412,932	764	394,097
Total	11,532	7,534,829	9,291	7,532,137	9,326	7,859,177	7,718	7,214,028

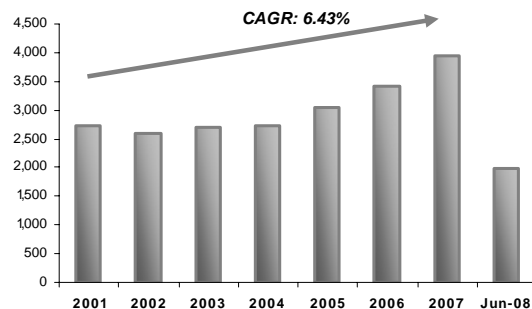
Source: Order of Engineers

Concurrently, cement deliveries, the coincident indicator of construction activity, rose by 7.36% during the first half of 2008 compared to the same period in 2007. More particularly, total cement delivery reached 1,976 thousand tons as at end of June 2008 and 3,946 thousand tons in 2007^[14]. The compounded annual growth rate in cement deliveries hit the 6.43% pace over the period 2001 through 2007, with its peak marked in 2007.

Evolution of Total Cement in Thousands of Tons							
2001	2002	2003	2004	2005	2006	2007	June-2008
2,715	2,601	2,704	2,729	3,040	3,424	3,946	1,976

Source: Banque Du Liban

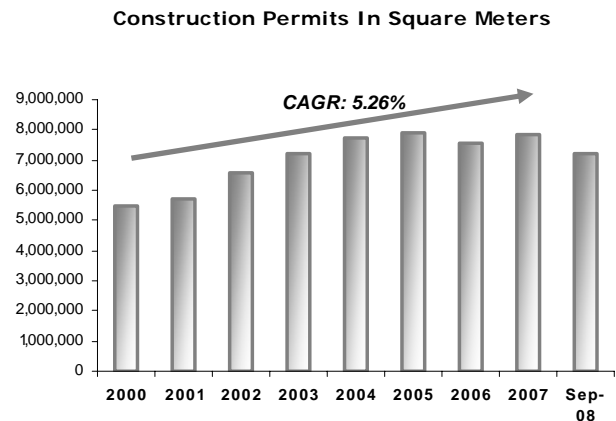
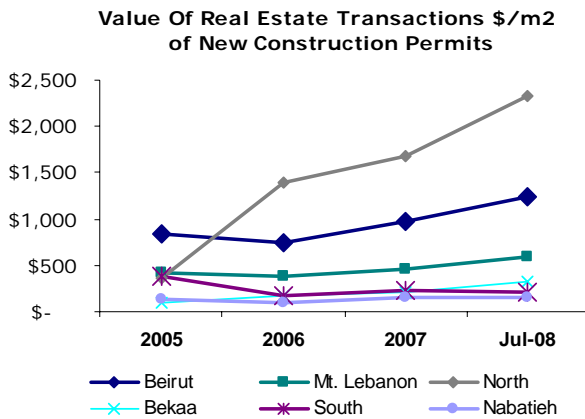
Evolution of Total Cement - Thousands Tons



Had we assumed that all real estate transactions, as conveyed by the Real Estate Registry statistics, are in the form of new construction works, this will lead us to assume the following Dollar value of real estate transactions per square meter of new construction permits^[15]:

Value of Real Estate Transactions / m ² of New Construction Permits					
		2005	2006	2007	Jul-08
Beirut	Value of Real Estate Transactions (\$ Million)	1,073.31	1,071.22	1,561.81	913.65
	Construction Permits (m ²)	1,264,674	1,445,479	1,604,800	731,979
	Value of Real estate Transactions / m ² of Construction Permits	\$ 848.68	\$ 741.08	\$ 973.21	\$ 1,248.19
Mt. Lebanon	Value of Real Estate Transactions (\$ Million)	1,720.27	1,610.09	2,008.52	1,762.81
	Construction Permits (m ²)	4,033,744	4,284,540	4,334,254	3,025,812
	Value of Real estate Transactions / m ² of Construction Permits	\$ 426.47	\$ 375.79	\$ 463.41	\$ 582.59
North	Value of Real Estate Transactions (\$ Million)	213.93	207.05	264.34	219.79
	Construction Permits (m ²)	602,780	147,808	156,618	94,426
	Value of Real estate Transactions / m ² of Construction Permits	\$ 354.90	\$ 1,400.82	\$ 1,687.83	\$ 2,327.60
Bekaa	Value of Real Estate Transactions (\$ Million)	81.11	93.23	118.05	107.76
	Construction Permits (m ²)	823,744	529,420	575,868	340,719
	Value of Real estate Transactions / m ² of Construction Permits	\$ 98.46	\$ 176.09	\$ 205.00	\$ 316.26
South	Value of Real Estate Transactions (\$ Million)	169.28	119.36	181.46	143.59
	Construction Permits (m ²)	447,924	719,583	814,993	673,298
	Value of Real estate Transactions / m ² of Construction Permits	\$ 377.93	\$ 165.87	\$ 222.66	\$ 213.27
Nabatieh	Value of Real Estate Transactions (\$ Million)	45.56	40.03	64.19	43.90
	Construction Permits (m ²)	361,963	405,307	412,932	292,274
	Value of Real estate Transactions / m ² of Construction Permits	\$ 125.88	\$ 98.76	\$ 155.46	\$ 150.21
Total	Value of Real estate Transactions / m² of Construction Permits	\$ 438.42	\$ 417.01	\$ 534.20	\$ 618.69

Source: Credit Libanais Research Unit, Banque Du Liban, Real Estate Registry, Audi-Saradar Research Unit



The preceding analysis leads us to conclude that the value of real estate transactions in Beirut per sqm of construction permits has been steadily appreciating, from \$849/ m² of construction permits in 2005 to \$1,248/m² as at end of July 2008.

V. Competitive Analysis

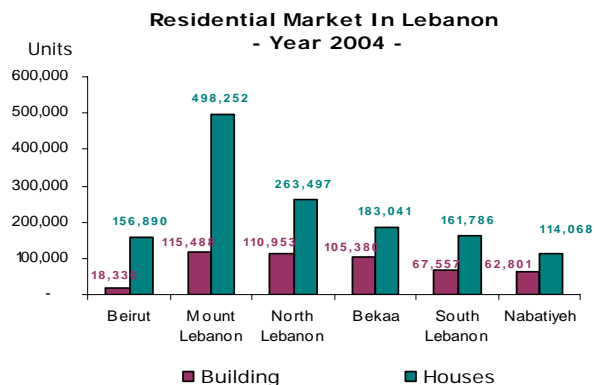
A. Segmentation of the Real Estate Sector In Lebanon

Lebanon's strategic location on the map gives it a competitive edge, being considered a gate to a large regional market around the globe. According to the yearbook 2006 of the Central Administration for Statistics, Lebanon entailed 480,515 buildings, 1,377,445 houses and 176,279 establishments in the year 2004 ^[16].

1. Residential Projects

a) Overview

According to the Central Administration for Statistics, the 1,377,445 houses from the 2004 statistics were distributed over 1,027,152 used houses (74.4% of the total), 312,323 for housing (22.6% of total), 9,871 under construction (0.7% of the total), and 27,373 empty houses (1.98%). The following chart portrays the breakdown of the residential market in Lebanon during the year 2004 ^[16].



Source: Central Administration for Statistics – Statistical Yearbook 2006

As far as the occupancy of the 1,377,455 units is concerned, 349,567 units were unspecified houses and not used for housing purposes (25.4% of the total), 723,232 were classified as real estate properties (52.5%), 153,361 were rental units (11.1%), 4,661 were occupied apartments (0.3%), 128,942 were vacant properties (9.4%) and 17,484 intended for other uses (1.3%) ^[16].

b) The Residential Market

Experts segment the Lebanese residential real estate market into five main categories, namely the top-market, upper-middle, middle, lower-middle and low market brackets. In the lower market segments, even when demand outweighs supply, prices remain almost flat owing to the financial limitations of low income borrowers.

The following table portrays the segmentation of the Lebanese real estate market ^[17]:

Segmentation of the Residential Real Estate Market		
Segment	Description	Price Appreciation (2005 - 2007)
Top-Prime	Large size (375 m ² and up) luxury apartments located in prime residential areas.	22%
Upper-Middle	Apartments between 275m ² and 350m ² either of lower quality finishing or in less prime locations than the top-prime.	18%
Middle	Apartments smaller than 275m ² of lower quality finishing and located in non-prime locations, usually outside of Administrative Beirut and immediate suburbs.	3% to 4% (normal inflation rate)
Lower-Middle		
Low		

Source: Lebanon Opportunities

The Beirut Central District ("BCD") leads the residential market with the most expensive selling prices nearing \$7,000 per sqm on the seafront. The following table sketches the prevailing prices of new residential units in prime locations in Beirut ^[18]:

Beirut Prime Location - Residential Units Prices (USD/sqm)	
Downtown Seafront	\$6,000 - \$7,000
Inside Solidere	\$3,500 - \$4,000
Achrafieh (Gemmayzeh and Rmeil)	\$1,500 - \$2,000 and \$3,000 in some regions
Hamra (Clemenceau and Ras Beirut)	\$1,500 - \$2,000 and \$3,000 in some regions
Hazmieh and Sin el Fil	\$1,000 - \$1,500

Source: Cedar Wings and Lebanon Opportunities

According to Lebanon Opportunities' Databank and real estate experts, residential prices rose markedly during the last couple of years owing to escalating construction materials prices (cement and metal) coupled with an unprecedented upsurge in demand. The following table sketches the prices of residential properties in prime locations in Beirut ^[19]:

Average Residential Prices / m ² By Region		Average Residential Prices / m ² By Region	
Area	Apartment Prices / m ²	Area	Apartment Prices / m ²
Ashrafieh		Mazraa	
Achrafieh		Barbour	
Sayde St.	\$2,000	Saliba St.	\$1,700
Elias Sarkis St.	\$2,200	Main St.	\$2,730
Next To ABC	\$3,000	Hippodrome	\$3,000
Ghandour El Saad St.	\$3,500	Hamad St.	\$1,250
Gemayze		Kaskas	
Boutros Dagher	\$3,200	Naccache St.	\$1,800
Hotel Dieu St.	\$2,000	Next to Ogero	\$2,200
Hotel Dieu		Tallet El Khayyat	
Adib Ishac St.	\$2,000	Aicha Bakkar	\$1,500
Rayess St.	\$2,250	Salim Salam	\$1,500
Sioufi		Mousseitbeh	
Near Sioufi Garden	\$1,600	Jnah	
Zahrani St.	\$2,000	Near Old Souk El Raouche	\$2,106
Near Noura Park	\$2,100	Off Road	\$1,600
Ras Beirut		Mar Elias	
Clemenceau		Main St.	\$2,000
Wardieh St.	\$4,000	Yazbeck St.	\$2,000
Leon St.	\$3,150	Ramlet El Baida	
Qoreitem		Parallel to Middle East Hospital	\$4,650
Highway	\$4,800	Near Spinney's	\$4,000
Khaled Chehab St.	\$2,880	Avenue St.	\$7,500
Raoucheh		Toufic Tabbara St.	\$2,700
Chouran St.	\$10,000	Sanayeh	
Sourati St.	\$2,650	Midhat Bacha St..	\$3,300
Snoubra		Mama St.	\$2,300
Mme Curie	\$2,500	Tallet El Khayat	
Ras El Nabeh		Chehade St.	\$1,600
Ras El Nabeh		Mama St.	\$4,000
Mohamed Hout St.	\$1,700	Verdun	
Bechara El Khoury St.	\$1,500	Mme Curie	\$4,000
Near Faculty of Medicine	\$1,800	Near Mandarine	\$4,038
Saleh Bin yehya	\$1,350	Al Farabi St.	\$1,650
Damascus Road	\$2,500	Zqaq El Blat	
Abdel Mawla El Chaar St.	\$1,750	Kantari	
Sodeco		Abdel Kader St.	\$2,500
Damascus Road	\$2,000	Al Assir St.	\$1,400

Source: DataBank, Lebanon Opportunities

Demand is highly concentrated in new apartment buildings with little appetite for old apartment buildings which compel the tenant to undertake major refurbishment works.

The pricing of residential projects is function of many variables including location, quality of the finishing property management and facilities provided (access to gym, laundry service, etc.). The tables on the following pages uncover some details on the residential projects currently in the pipeline in Lebanon subdivided by value range, with their locations, apartment sizes, built-up area and sale parameters, according to the Lebanon Opportunities magazine:

New Residential Projects - Year 2008 (1)					
Building	Area	Delivery	Apartment Size	Apartment Price	
Under \$150,000					
Beirut	- Beydoun Bldg	Mazraa	Jun-09	90m ²	\$126,000
Eastern Suburbs	- 2635 Baabda	Baabda	Oct-09	160m ²	\$112,000
	- Azar & Khalil Bldg		Sep-09	160m ²	\$140,000
	- 1424 Dekwaneh	Dekwaneh	Sep-08	114 m ² - 180m ²	\$97,000 - \$150,000
	- Dekwaneh 52		Dec-08	155 m ²	\$132,000
	- Dekwaneh 30		Dec-08	150 m ²	\$128,000
	- Immeuble Mar Roukoz 509	Mansourieh	Sep-08	150 m ² - 185m ²	\$120,000 - \$148,000
- Leader (2 Blocks)	Sep-08		160 m ² - 215 m ²	\$112,000 - \$150,000	
- Angela Residential Project	Completed		100 m ² - 110 m ²	\$95,000 - \$105,000	
Southern Suburbs	- Al Kanater	Aramoun	Dec-08	170 m ²	\$136,000
	- 2260 Aramoun		Jan-10	110 m ² - 155 m ²	\$99,000 - \$155,000
	- Kamel Moussa Project	Dec-08	155 m ²	\$124,000	
	- Al Ourjouan Residential Project 2	Hadath	Dec-08	150 m ²	\$135,000
- Dar Al Mawada (2 Blocks)	Jan-10		120 m ² - 150 m ²	\$150,000	
Northern Suburbs	- Salim Awad 1171	Jdeideh	Sep-08	152 m ²	\$137,000
	- Queen Mary (2 Blocks)	Sid El Baushrieh	Sep-09	137 m ² - 170 m ²	\$126,000 - \$157,000
Metn	- Al Moghtaribein Residence	Beit El Chaar	Dec-08	165 m ² - 178m ²	\$124,000 - \$134,000
	- Dagher Residential Project	Sabtieh	Feb-09	155 m ²	\$124,000
	- Immeuble Aoun 4		Dec-08	110 m ²	\$99,000
Kesrouan	- Laqlouq Country Club	Jbeil - Laqlouq	Sep-08	65 m ² - 200 m ²	\$60,000 - \$140,000
	- Immeuble Azar	Zouk Mosbeh	Aug-09	150 m ²	\$120,000
\$150,000 - \$300,000					
Beirut	- 4354 Ashrafieh	Achrafieh	Sep-10	125 m ² - 240 m ²	\$250,000
	- 2136 Ashrafieh		Jan-09	150 m ²	\$275,000
	- Sioufi 2525	Bachoura	Jun-09	140 m ² - 150 m ²	\$224,000
	- 423 Bachoura		Oct-08	220 m ²	\$264,000
	- 1985 Mazraa	Mazraa	Jan-10	160 m ²	\$200,000
	- Al Anouar		2009	112 m ² - 165 m ²	\$180,000
	- Al Mahmoud 1762		Jun-09	160 m ²	\$200,000
	- Beydoun Bldg		2010	103 m ² - 143 m ²	\$155,000 - \$215,000
	- Chatila Bldg 2749		Dec-09	165 m ²	\$248,000
	- Dream One		Oct-08	150 m ²	\$255,000
	- Jad Bldg	May-09	153 m ²	\$260,000	
	- Noueiri Tower	Aug-08	115 m ² - 165 m ²	\$200,000	
	- Shams Beirut Residences	Dec-09	171 m ² - 265 m ²	\$222,300	
	- Corner 655	Mousseitbeh	Sep-08	110 m ² - 150 m ²	\$200,000
	- Jana Bldg		Sep-08	152 m ²	\$200,000
	- Le Mar Elias 1		Apr-09	160 m ²	\$256,000
	- Rosa Building		Dec-09	182 m ²	\$273,000
	- Safi Pearl	Safi	Sep-09	55 m ² - 400 m ²	\$192,500
	- Convivium		Aug-11	70 m ² - 240 m ²	\$294,000
	- Delbani Tower	Ras El nabeh	Dec-08	122 m ² - 180 m ²	\$183,000
- Mkhallalaty Bldg	Jan-09		120 m ² - 160 m ²	\$162,000 - \$216,000	
- Al Mosbah	Sodeco	Jun-09	110 m ² - 150 m ²	\$220,000	
- Al Amira Bldg	Zqaq El Blat	Sep-08	140 m ²	\$196,000	
- Al Sounboula 4		Dec-12	170 m ²	\$221,000	
Eastern Suburbs	- Ain Baabda 3975	Baabda	Dec-09	150 m ² - 340 m ²	\$150,000
	- Chahine Bldg		Oct-08	200 m ²	\$280,000
	- Jadoon Bldg		Sep-09	160 m ²	\$208,000
	- Maamari 5494		Dec-09	210 m ²	\$273,000
	- 5026 Hazmieh	Hazmieh	Nov-08	170 m ²	\$170,000
	- Estephan 3328		Apr-09	180 m ²	\$216,000
	- Khoury and Moussalem Bldg		Jul-09	170 m ²	\$230,000
	- Olive Steps		Mar-09	210 m ² - 390 m ²	\$273,000
	- Rahal Bldg	Completed	215 m ²	\$236,000	
	- Ain Najem Project	Ain Saadeh	Dec-08	190 m ² - 240 m ²	\$210,000 - \$264,000
	- Ain Saadeh 1918		Aug-09	140 m ² - 230 m ²	\$252,000 - \$288,000
	- Ain Saadeh 1904		Dec-08	245 m ²	\$270,000
	- Saint Joseph Bldg		Feb-09	167 m ² - 214 m ²	\$167,000 - \$214,000
	- Immeuble 1754	Dekwaneh	Sep-09	250 m ²	\$275,000
	- Immeuble 1765		Mar-10	270 m ²	\$297,000
	- Khoueiry & Sfeir Bldg	Fanar	Jul-09	220 m ²	\$242,000
	- Bejjani Project	Mansourieh	Sep-08	165 m ²	\$150,000
	- Mansourieh 1472		Dec-08	200 m ² - 230 m ²	\$240,000 - \$276,000
	- Michel Wakim Bldg		Nov-08	200 m ²	\$240,000
	- Nassar Bldg	2010	210 m ²	\$210,000	
- Antoine Haswani 4884 Bldg	Monte Verde	Mar-09	200 m ²	\$250,000	
- Abi Saad Bldg	Sin El Fil	Jun-09	190 m ²	\$247,000	
- Kamar Bldg 2		Dec-09	208 m ²	\$300,000	
- Kamar Bldg 1		Dec-08	165 m ² - 225 m ²	\$215,000 - \$300,000	
- Saadeh Bldg		2010	190 m ² - 240 m ²	\$209,000 - \$264,000	
- Unaco Project 2458		May-09	165 m ²	\$135,000	

Source: Lebanon Opportunities – Issue 134 – August 2008

New Residential Projects - Year 2008 (2)					
	Building	Area	Delivery	Apart. Size	Apartment Price
Southern Suburbs	- Al Kaaki Project	Aramoun	Sep-08	160 m ² - 200 m ²	\$160,000 - \$200,000
	- Samer Residential Project		Jan-09	185 m ² - 196 m ²	\$185,000 - \$196,000
	- Choueifat Center	Choueifat	Mar-09	140 m ² - 220 m ²	\$168,000 - \$264,000
	- Zeinab Residential Project		Sep-08	220 m ²	\$220,000
	- 3838 Hadath	Hadath	Apr-09	200 m ²	\$200,000
	- Elite Residence		Sep-08	165 m ²	\$231,000
	- Hadath Residence		Completed	245 m ²	\$250,000
	- Hotait Bldg		Feb-09	150 m ²	\$150,000
	- Saki El Hadath	Chiah	2010	170 m ²	\$170,000
	- Chiah 618		Jan-09	155 m ²	\$155,000 - \$186,000
- Chiah 4783	Jan-09		160 m ²	\$160,000 - \$192,000	
- Chiah 758	Aug-10		225 m ²	\$225,000 - \$270,000	
Northern Suburbs	- Freiha Bldg	Jdeideh	Mar-09	160 m ²	\$160,000
	- Salim Awad 505		Completed	168 m ² - 193 m ²	\$168,000 - \$193,000
	- Sleiman Kharrat Bldg	Mtayleb	Dec-08	160 m ²	\$150,000
	- La Pinede		Mar-10	200 m ² - 226 m ²	\$220,000 - \$250,000
	- Aintoine Antonios Bldg		Mar-09	165 m ² - 180 m ²	\$148,000 - \$162,000
	- Anastazia Bldg		Dec-08	220 m ²	\$242,000
Metn	- Bayada 738 (2 Blocks)	Bayada	Sep-08	232 m ² - 312 m ²	\$232,000 - \$272,000
	- Blakout 808	Biyakout	Oct-09	140 m ² - 200 m ²	\$112,000 - \$160,000
	- Hajj & Abdo Bldg	Bikfaya	Feb-10	280 m ² - 540 m ²	\$280,000
	- 2182 Bickfaya		Jun-09	120 m ² - 175 m ²	\$120,000 - \$175,000
	- 1163 Bsalim	Bsalim	Dec-08	242 m ²	\$242,000
	- 360 Bsalim		Aug-09	227 m ²	\$227,000
	- Bsalim 1333		Aug-10	206 m ²	\$247,000
	- Choufani		Sep-09	240 m ²	\$288,000
	- 378 Cornet Chehwane	Cornet Chehwane	Nov-08	250 m ²	\$200,000
	- Azar Bldg		Dec-08	200 m ²	\$250,000
- KC 3096	Mar-10		200 m ² - 400 m ²	\$240,000	
- Walid Dagher Bldg	Dec-08		170 m ²	\$170,000	
Kesrouan	- Les Pics Blancs	Faraya	Completed	64 m ² - 175 m ²	\$105,600 - \$289,000
	- Emile Said Project	Haret Sakhr	Dec-08	200 m ²	\$210,000
	- Sahel Residence 906	Sahel Alma	Sep-08	175 m ² - 205 m ²	\$175,000 - \$225,000
	- Les Terrases de Sahel	Completed	185 m ² - 260 m ²	\$185,000 - \$260,000	
\$300,000 - \$500,000					
Beirut	- 1937 Ashrafieh	Achrafieh	Sep-10	170 m ² - 240 m ²	\$340,000
	- Abou Haidar Bldg		Apr-10	270 m ²	\$365,000
	- Ashrafieh 1458		Sep-09	200 m ² - 775 m ²	\$440,000
	- Cedars 3		Jan-09	185 m ²	\$333,000 - \$463,000
	- Immeuble Malaga	Mazraa	Jun-10	195 m ² - 250 m ²	\$439,000
	- Sioufi Towers		Dec-08	212 m ² - 424 m ²	\$385,000
	- Al Malak Bldg		Feb-09	220 m ²	\$396,000
	- Al Rayan Bldg		Dec-09	210 m ²	\$420,000
	- Convivium VII	Mousseitbeh	Feb-09	210 m ² - 350 m ²	\$420,000
	- Al Hana		Feb-11	167 m ² - 214 m ²	\$397,000
	- Khattab Bldg		2009	170 m ²	\$357,000
	- Le Mar Elias 2		Jan-10	190 m ²	\$380,000
	- Wehbe Residence	Ras El Nabeh	Dec-08	212 m ²	\$424,000
	- La Cite Beyrouth		2009	170 m ² - 200 m ²	\$374,000
	- La Ville Residence		Aug-09	190 m ²	\$300,000 - \$360,000
	- Plaza 2		Sep-08	210 m ²	\$357,000
- Rana Bldg	Sodeco	Jun-09	200 m ²	\$440,000	
- Ras El Nabeh 725		Completed	165 m ²	\$300,000	
- Sodeco 621		2011	88 m ² - 470 m ²	\$364,000	
- Sodeco Residence		Jul-10	220 m ²	\$440,000	
- Borj El Madina 6	Zarif	2010	205 m ²	\$451,000	
- Borj El Madina 7		2011	175 m ²	\$315,000	
- Al-Fayhaa Project	Zqaq El Blat	Aug-09	170 m ²	\$300,000	
Eastern Suburbs	- 4990 Baabda	Baabda	Sep-08	250 m ²	\$300,000
	- Baabda 2632		Sep-08	300 m ²	\$420,000
	- Baabda 288		Sep-08	300 m ²	\$450,000
	- Baabda 4672 (2 Blocks)		Dec-09	240 m ² - 340 m ²	\$408,000
	- Elsa 2	Abadiyah	Mar-10	350 m ²	\$490,000
	- St.Rita 1		Sep-08	265 m ²	\$318,000
	- Al Abadiyah Hills		Jan-10	100 m ² - 490 m ²	\$365,000
	- La Falaise (3 Blocks)		Oct-09	230 m ² - 500 m ²	\$391,000
	- Lot 3001	Hazmieh	Dec-08	225 m ² - 250 m ²	\$326,000
	- Mar Takla Bldg		2011	210 m ² - 550 m ²	\$357,000
	- St. Elie Bldg		Dec-08	300 m ²	\$360,000
	- Bejjani Bldg		Oct-09	340 m ²	\$350,000
	- Ain Saadeh Residential Complex	Ain Saadeh	Feb-09	265 m ²	\$450,000
	- 93 Fanar	Fanar	Dec-09	270 m ² - 350 m ²	\$405,000
- Bella Plaza 223	Monte Verde	Feb-10	215 m ²	\$344,000	
- Bella Plaza 777		Feb-09	225 m ²	\$360,000	
- Bella Plaza 779		Jun-09	235 m ²	\$376,000	
- Caza Verde 4699		Dec-09	330 m ²	\$495,000	

Source: Lebanon Opportunities – Issue 134 – August 2008

New Residential Projects - Year 2008 (3)						
Building	Area	Delivery	Apart. Size	Apartment Price		
Southern Suburbs	- Al Amal (3 Blocks)		Jun-10	200 m ² - 300 m ²	\$400,000	
	- Dalia & Camilia	Chiah	Oct-08	245 m ²	\$392,000	
	- General 3		Jan-09	238 m ² - 281 m ²	\$476,000	
	- Tima 41		Jun-09	265 m ² - 380 m ²	\$400,000	
- Bayada 918	Bayada		Dec-08	280 m ² - 400 m ²	\$420,000	
Metn	- Mezher 371	Bsalim	Dec-08	222 m ²	\$315,000	
Kesrouan	- Helou & Bitar Bldg	Ghadir	Dec-09	270 m ² - 500 m ²	\$357,000	
	- Youssef Project	Kfarzebian	Oct-08	200 m ² - 220 m ²	\$400,000 - \$440,000	
	- Haret Sakhr Residence	Haret Sakhr	Completed	320 m ²	\$320,000	
	- Toufic Keirouz Bldg		Sep-08	250 m ²	\$357,000	
	- Bayhill 2	Kfarhabab	Sep-08	305 m ² - 515 m ²	\$458,000 - \$480,000	
	- Bitar Bldg	Sahel Alma	Dec-08	230 m ²	\$322,000	
Over \$500,000						
Beirut	- Ain El Mreisseh 390	Ain El Mreisseh	Sep-09	350 m ²	\$1,225,000	
	- Hochar Tower		May-10	585 m ² - 1,100 m ²	\$4 million	
	- Vega Residence		Dec-09	451 m ²	\$1,804,000	
	- 509 Charles Malek Avenue	Achrafieh	Aug-09	265 m ²	\$795,000	
	- 450 Charles Malek Avenue		Mar-09	295 m ² - 440 m ²	\$1,032,500	
	- 982 Ashrafieh		2010	230 m ²	\$664,000	
	- Ashrafieh 2229		Oct-08	245 m ²	\$539,000	
	- Ashrafieh Prince		2010	328 m ² - 536 m ²	\$984,000	
	- Debbas Residential Bldg		Apr-09	390 m ²	\$975,000	
	- Elsa Tower		Aug-09	253 m ² - 302 m ²	\$582,000	
	- FAL Towers		Oct-10	500 m ² - 700 m ²	\$1,750,000	
	- Hugo 43		2009	300 m ²	\$720,000	
	- Sioufi 4623		Dec-08	285 m ²	\$620,000	
	- Sioufi 5250		Dec-09	255 m ² - 400 m ²	\$535,000	
	- Sioufi Gardens 2		Mar-09	270 m ²	\$621,000	
	- Surssock 197		Jun-09	485 m ²	\$2,183,000	
	- 45 Park Avenue		Beirut Central District	Dec-10	380 m ² - 750 m ²	\$6,000/ m ²
	- Bay Tower			2011	265 m ² - 1,700 m ²	\$6,000/ m ²
	- Capital Plaza			Oct-09	355 m ² - 628 m ²	\$2,308,000 - \$3,922,000
	- Building 1477	Mar-10		335 m ²	\$1,843,000	
	- Eden Gardens	Sep-11		300 m ² - 400 m ²	\$2.1 million	
	- Garden View	Dec-09		260 m ² - 800 m ²	\$3.6 million	
	- Park Palace	Jan-09		500 m ² - 600 m ²	\$3 million	
	- The Courtyard	Dec-10		180 m ² - 530 m ²	\$6,300/m ²	
	- The Palladium	Jun-10		180 m ² - 250 m ²	\$990,000	
	- The Platinum Tower	Dec-09		900 m ² - 1,900 m ²	\$9 million	
	- Wadi Grand Residence	Dec-09		280 m ² - 900 m ²	\$1,540,000	
	- Wadi Hills Residences	Dec-10		130 m ² - 750 m ²	\$5,000/ m ²	
	- The Pavillions	Sep-08		474 m ² - 874 m ²	\$2,488,500	
	- Convivium III	Gemayze		Completed	736 m ²	\$3,680,000
	- Convivium V		Feb-09	150 m ² - 300 m ²	\$525,000	
	- Residence 273 Gemayzeh		Jun-09	335 m ² - 550 m ²	\$1 million	
	- Residence Sur Jardin	Saifi	2011	270 m ² - 280 m ²	\$900,000	
	- Saifi Homes		Dec-08	270 m ² - 445 m ²	\$1,080,000	
	- Saifi Village II		Oct-08	200 m ² - 900 m ²	\$900,000	
	- Burj Kronfol	Mazraa	Dec-10	415 m ²	\$1,245,000	
	- Chatila Bldg		2009	185 m ²	\$627,000	
	- Corniche Tower		Dec-09	330 m ²	\$900,000	
	- Al Majed	Mousseitbeh	Jun-10	234 m ² - 236 m ²	\$538,000 - \$540,000	
	- Al Alia & Al Ola Residence		Dec-09	275 m ²	\$850,000	
- Blue Bay	Dec-09		430 m ² - 800 m ²	\$2 million		
- City Heights 1	Jul-09		380 m ²	\$1,653,000		
- City Heights 2	Jul-10		220 m ²	\$880,000		
- Doha Tower 4268	Sep-08		415 m ²	\$1,550,000		
- Mirna Tower	Dec-09		540 m ²	\$2,500,000		
- Dsouki Bldg	Mar-09		240 m ²	\$792,000		
- Hatab Tower	Dec-09		300 m ²	\$1,200,000		
- Margarita Bldg	Mar-09		280 m ²	\$840,000		
- Lina Residence	Jul-09		245 m ²	\$900,000		
- Panda-Hindawi	2009		300 m ²	\$1,200,000		
- Ramlet Tower	Jul-10		350 m ²	\$1,400,000		
- Park Towers	Dec-09		470 m ² - 800 m ²	\$2,350,000		
- Garden View	Dec-08		240 m ²	\$1,200,000 - \$1,450,000		
- Saridar 2994 (2 Blocks)	Dec-09		240 m ²	\$792,000		
- Spinneys 4805	Jan-11		500 m ²	\$2,500,000		
- Sunset Gardens	Apr-11		555 m ²	\$4,163,000		
- Sunset Residence Tower	Apr-10		400 m ²	\$1,600,000		
- T Tower	Aug-10		374 m ² - 261 m ²	\$1,420,000		
- Unesco Twin Towers	Jul-10		290 m ² - 360 m ²	\$1,300,000		
- Verdun Gate Residence	Jun-10		260 m ²	\$1,050,000		

Source: Lebanon Opportunities – Issue 134 – August 2008

New Residential Projects - Year 2008 (4)					
Building	Area	Delivery	Apart. Size	Apartment Price	
Beirut	- 2612 Hatab		Sep-08	260 m ²	\$650,000
	- Al Manara Tower		Dec-09	620 m ²	\$3,410,000
	- Badr Plaza		Dec-09	275 m ²	\$865,000
	- Bahri Gardens II		Apr-11	575 m ²	\$5,750,000
	- Clemenceau Residence 303		Oct-11	441 m ² - 580 m ²	\$1,764,000 - \$2,320,000
	- Lighthouse Residence	Ras Beirut	Aug-10	470 m ²	\$2,820,000
	- Malibou		Dec-10	500 m ²	\$2,400,000
	- Qoreitem Gardens		Apr-10	350 m ² - 713 m ²	\$2,450,000
	- Raouche 3367		Jun-09	330 m ²	\$950,000
	- Raouche Residence Tower		Dec-08	430 m ²	\$1,300,000
	- Shayboub Tower		2011	245 m ² - 285 m ²	\$980,000
	- The Jeanne D'Arc		Jun-10	232 m ² - 238 m ²	\$1,160,000
	- Dokta Bldg	Sodeco	Completed	230 m ² - 550 m ²	\$736,000
	- La Citadelle		Dec-09	212 m ²	\$530,000
- Highland Tower	Zqaq El Blat	Dec-08	217 m ²	\$543,000	
- Solitaire		Dec-09	253 m ²	\$632,000	
Eastern Suburbs	- Ousatco 103	Monte Verde	Completed	350 m ²	\$560,000 - \$613,000
	- 4742 Baabda	Baabda	Sep-09	375 m ² - 560 m ²	\$675,000
	- Orchid	Furn El Chebbak	Jul-10	250 m ²	\$500,000
	- Ardoise	Hazmieh	Dec-08	267 m ² - 530 m ²	\$534,000 - \$1,060,000
	- St.Aintoine Bldg		Dec-09	301 m ²	\$602,000
	- Blotous Flower		Dec-08	400 m ²	\$960,000
	- Yarze 5668	Yarze	May-10	475 m ² - 650 m ²	\$1,187,500 - \$1,625,000
	- Yarze Terrace		Dec-09	650 m ²	\$2,275,000
- Baabda Palace Residence	Baabda	Jun-10	700 m ²	\$1,540,000	
Southern Suburbs	- Al Jazira Towers		Jun-09	340 m ²	\$1,360,000
	- Coral Residence		Jun-09	186 m ² - 300 m ²	\$744,000
	- Doha Residence		Jun-10	235 m ²	\$500,000
	- Montana Residence		Jun-09	275 m ²	\$825,000
	- Silver Towers		Oct-08	300 m ²	\$675,000
	- Zeina Residence		Completed	224 m ²	\$672,000
	- Mamia Residence	Chiah	Feb-10	250 m ²	\$750,000
	- Byblos Residence		Dec-08	232 m ²	\$580,000
	- Nandy Bldg		Aug-10	285 m ²	\$570,000
	- Sannine Residence		Dec-08	215 m ²	\$860,000
	- Sidon Residence		Dec-08	200 m ²	\$500,000
	- Tania Residence		Dec-08	210 m ²	\$525,000
	- Tourass 5		Jun-09	300 m ² - 335 m ²	\$660,000 - \$737,000
	- Jad 11	Hadath	Dec-08	380 m ²	\$494,000
Northern Suburbs	- 1614 Rabieh	Rabieh	Dec-08	345 m ²	\$863,000
	- Rabieh 2166		Apr-09	475 m ²	\$950,000
	- Rabieh 137		Jun-09	450 m ²	\$990,000
Metn	- 2847 Bayada	Bayada	Jun-10	430 m ²	\$860,000
	- Bayada 2215		May-10	350 m ² - 515 m ²	\$525,000 - \$773,000
Kesrouan	- 4745 Kfarzabian (6 Blocks)	Kfardebian	May-10	225 m ² - 290 m ²	\$900,000
	- Clouds		Mar-09	800 m ² - 1,500 m ²	\$3,600,000 - \$6,000,000
	- Port Du Soleil		Jan-10	190 m ² - 450 m ²	\$665,000

Source: Lebanon Opportunities – Issue 134 – August 2008

c) Financing The Residential Projects

The accessibility of financing is also an essential driver of real estate activity. Over the years, most Lebanese banks adopted a strategy that focused on retail banking. More particularly, loans to the construction sector amounted to \$3.15 billion in 2007 ^[20] while housing loans extended to individuals aggregated to \$1.32 billion as at year end 2007 ^[20]. Additionally, the credit extended to real estate rental accounted for 2.42% (\$1.36 billion) of total private sector credit.

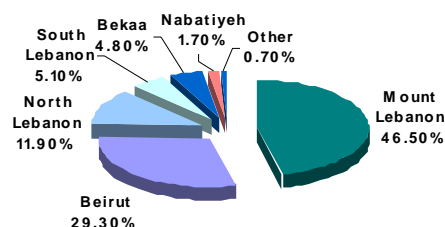
There are two Lebanese public housing agencies namely, the Housing Bank and the Public Housing Authority both of which provide low interest rate credit facilities. In fact, these loans are subsidized by commercial banks in coordination with Banque Du Liban. Additionally, several real estate funds have seen the light and injected additional liquidity in the real estate market through equity financing.

2. Commercial Projects

According to the statistical yearbook 2006 of the Central Administration for Statistics, 4,952 new establishments were registered in Lebanon during the year 2006. Out of the 4,952 newly registered establishments, retail trades and specialized outlets emerged as the biggest category with 983 new establishments (19.9%), commercial miscellaneous activities ranked second with 726 new establishments (14.7%), the financial intermediation and insurance came third with 611 new establishments (12.3%), car trade and repair ranked fourth with 363 new establishments (7.3%) and real estate activities ranked fifth with 311 new establishments (6.3%) ^[21].

The new commercial establishments were mainly concentrated in Mount-Lebanon (46.5%), Beirut (29.3%), North Lebanon (11.9%), South Lebanon (5.1%), Bekaa (4.8%) and Nabatiyeh (1.7%) ^[21].

**New Commercial Establishments
- Year 2006-**



a) Offices

The local and international demand for modern office space in Lebanon has increased in recent years. A large number of organizations (banks, financial institutions and embassies) moved their operations to the Beirut Central District ("BCD"), Achrafieh and Ras Beirut.

According to Cushman & Wakefield, a leading global real estate consultant, the overall office vacancy rate in the BCD remained unchanged at 10% in 2006, below the average vacancy rate of 11% in the MENA region.

The rise in prices of offices is attributable not only to the shortage in supply but also to the rally in the prices of building materials such as steel bars and cement during the past few years.

The following table portrays the average office sale prices across Beirut in \$/sqm for the year 2008 ^[22]:

Average Office Prices / m ² By Region			
Area	Office Prices / m ²	Area	Office Prices / m ²
Achrafieh		Mazraa	
Gemmayze		Barbour	
Hotel Dieu St.	\$2,500	Main St.	\$10,000
Hotel Dieu		Tallet El Khayyat	
Adib Ishac St.	\$2,500	Salim Salam	\$2,000
Ras Beirut		Mousseitbeh	
Ooreitem		Jnah	
Khaled Chehab St.	\$5,000	Off Road	\$1,280
		Mar Elias	
		Main St.	\$1,600

Source: DataBank, Lebanon Opportunities

As for office buildings in the Beirut region, the table hereafter provides a snapshot on the top ten-office buildings' ranked according to technological features, location and offered facilities and services. An-Nahar and the Atrium buildings are the most prestigious and expensive office buildings with rental prices ranging between \$250 and \$275 per sqm and upwards. This is followed by the Borj el Ghazal and Sofil buildings where rental costs vary between \$180 and \$200 /m². On the other hand, the lowest rental fees are at Azarieh and Aresco buildings priced at \$130 /m²^[23].

Top Ten Office Buildings In Beirut		
Name	Comments	\$/m ²
An-Nahar	High-Tech: at top Prices	\$250-\$275
Atrium	Similar to An-Nahar and full of top class occupiers	\$250 & upwards
Borj El Ghazal	Feeling the effects of downtown	\$200
Sofil	Marginalized by downtown, but still popular	\$180 - \$200
Twin Towers as Sofil Junction	A Good alternative to downtown with similar units	\$180
Starco	Good location, looking better post-renovation and fully occupied	\$150
Azarieh	Location's good but that's about it	\$130
Gefinor	Once upon a time the prime building in town, with an excellent line up of office tenants	\$160
Aresco	Good location, bad traffic	\$130
Badaro Trade Center	Good location out of town, cheaper but still close	\$175

Source: Executive Magazine

b) Retail and Shopping Malls

Beirut is one of the major retail and shopping destinations in the MENA region and has always attracted notorious retail brand names.

Lebanon's laissez-faire market economy has encouraged many foreign players such as Geant, Spinney's and BHV/Monoprix. According to the real estate advisors RAMCO, modern malls tend to fall into three categories: a community mall (ABC – Achrafieh that serves a local neighborhood), a regional mall and a super-regional mall. According to the International Council of Shopping Centers, regional malls offer up to 74,000 square meters of Gross Leasable Area ("GLA") while a super-regional mall extends to hundreds of thousands of square meters of GLA ^[24]. The following section lists the major malls and commercial centers currently operational in Lebanon:

- **Beirut City Center – "BCC"**

This area was refurbished under the umbrella of the Solidere projects. The BCC groups successful entrepreneurs like Aishti and the Virgin Megastore with the support of 300 retailers including many cafés and restaurants ^[24].

- ***The Souks of Beirut***

Besides being located at the historic center of the city, the Souks of Beirut also represent the forefront of the country. The Souks will provide a modern shopping district expanding on 100,000 m² with around 200 shops, a jeweler Souk, an entertainment complex, restaurants, cafés and art galleries. The Beirut Souks are due to open in 2009, with the underground parking lot, which is capable of housing some 2,500 vehicles, already completed ^[24].

- ***ABC Beirut Mall, Achrafieh***

The mall is one of the highest quality shopping malls in the Middle East, including a 40,000 m² shopping area, 30,000 m² entertainment facilities and open spaces, and a 50,000 m² of parking space that can accommodate more than 1,500 cars. In addition to the anchor stores, the mall houses some 170 standard retail units and two department stores. The average monthly rental price was fixed at \$1,000 per square meter upon its completion in 2003, in line with the rental prices at the Beirut Central District at that period. The ABC Mall, which opened in 2003 on a hilly street, took seven years to build and cost its developer, ABC Group, about \$120 million. The mall which spans over 120,000 m² embraces as well eight restaurants and eight-screen cinema theaters with room for up to 700 viewers ^[25].

- ***City Mall, Dora***

The commercial center is located in North of Beirut, spanning over 70,000 sqm of land and a built surface area of 175,000 sqm. This is the third casino/Geant in the Middle East with a hypermarket of 11,000 m², a BHV department store on two levels totaling 18,000 m², a cinema with 9 movie theatres, and 90 specialty shops over 3,000 m². The underground car parking is equipped for 2,500 vehicles ^[25].

Recently, AMDIC, the Lebanese private company owned by the Abchee family of Lebanon sold its local Monoprix and Geant Supermarkets to the Kuwaiti Sultan center for a total consideration of \$97 million. The acquisition deal includes all ADMIC local branches namely Jenah, Achrafieh, Zouk, Baabda and Verdun.

- ***Metropolitan City Center Shopping Mall, Sin El Fil***

The Metropolitan Hotels International launched the "Metropolitan Boulevard" shopping and restaurants complex in January 2004 under the umbrella of the Metropolitan City Center. The project, which is owned by the Dubai-based Al-Habtoor Group, was completed in the year 2005 and comprises five shopping levels and an entertainment complex.

The Metropolitan Boulevard was projected to generate \$50 million in sales during the first two years of operations. The Metropolitan City Center, which houses the Metropolitan Boulevard, spans over an area of 13,593 m² and includes 200 total rooms/suites, a 3,000 m² reception area, retail stores, cafés and restaurants, in addition to a parking lot with a capacity to absorb around 800 cars ^[25].

- **Beirut Mall, Chiyah**

Beirut Mall opened on December 21, 2006, and managed to amass public awareness and attention, being strategically located in high traffic area. Total built-up area exceeds 50,000 m² distributed over 4 storeys above ground and 4 underground levels [24].

The existing operating malls (ABC, City Mall and Beirut Mall) enjoy high occupancy and traffic rates. According to statistics published by Infopro Research, mall retail space rental cost starts at around \$1,000 per square meter per year, and could go up to an average of \$2,000 to \$2,500 per square meter. City Mall and Beirut Mall rental prices are set at \$1,000 to \$1,500 per square meter. ABC Mall is 20% more expensive [26].

Rent In The Country's Malls - Year 2008		
Mall	Average Rent (m ² /year)	Additional Charges
ABC Achrafieh	\$1,500 - \$2,000	None
ABC Dbayeh	\$1,500 - \$2,000	None
City Mall	\$1,000 - \$1,500	15% to 20% on rent, depending on store area
Beirut Mall	\$1,000 - \$1,500	10% on rent

Source: InfoPro Research, Issue number 136 - October 2008

Some streets have become landmark shopping zones such as Hamra, Verdun, Kaslik or Zalka streets. The following table provides a snapshot on rental costs in high traffic commercial zones based on statistics published by Infopro Research:

Rents In High-End Shopping Areas	
High Street	Rent Range (m ² /year)
Hamra Street Hub	\$500-\$700
Hamra - Makdessi	\$150-\$300
Hamra- Bliss Street	\$800-\$1,000
Verdun	\$450-\$700
Safi Village	\$600-\$750
BCD	\$800-\$1,000
Achrafieh - Sassine	\$300-\$800
Kaslik	\$700-\$900
Furn El Sheback	\$400-\$700
Mar Elias	\$250-\$350

Source: InfoPro Research, Issue number 136 - October 2008

Over the past five years, retail prices have increased by 10% in Kaslik & Zalka and 15% in Hamra, according to Retail Group and Lebanon Opportunities [27]. The following table portrays the average prices per square meter for commercial outlets for the year 2008:

Average Stores Prices / m ² By Region			
Area	Store Prices / m ²	Area	Store Prices / m ²
Achrafieh		Mazraa	
Achrafieh		Barbour	
Sayde St.	\$5,000	Saliba St.	\$7,000
Gemmayze		Main St.	\$2,000
Hotel Dieu St.	\$3,000		
Ras Beirut		Mousseitbeh	
Qoreitem		Mar Elias	
Khaled Chehab St.	\$5,000	Main St.	\$15,000
		Yazbeck St.	\$4,000
Zqaq El Blat		Ramlet El Baida	
Kantari		Toufic Tabbara St.	\$2,500
Abdel Kader St.	\$2,500	Verdun	
Al Assir St.	\$1,400	Mme Curie	\$8,500

Source: DataBank, Lebanon Opportunities

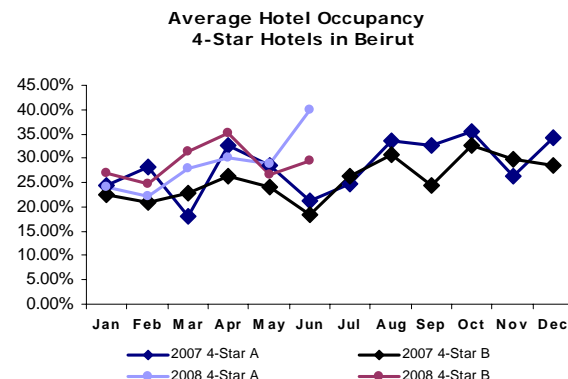
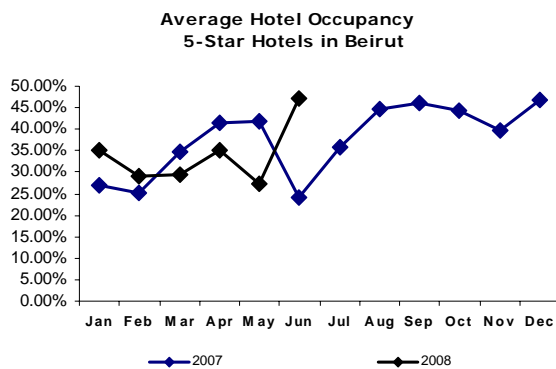
c) Hospitality & Tourism

Prior to the eruption of the war, the tourism sector was a major contributor to economic growth in Lebanon. The share of the tourism sector in Lebanon's Gross Domestic Product "GDP" rose from 11.7% in 1965 to nearly 20% in 1974, just before the outbreak of the war. According to the Lebanese Ministry of tourism, the tourism sector contributed some 9% to 11% to Lebanon's Gross Domestic Product in the year 2007, outperforming the GDP growth rate for the period under consideration [28].

However, the year 2008 budget law reveals a relatively small share allocated to the Ministry of Tourism. In other words, the expenditures' allocation among ministries for the year 2008 depicts a budgeted expenditure of LBP 11.12 billion for the Ministry of Tourism, representing a slim 0.08% of the year 2008 budget law [28].

The Lebanese Government expects the tourism sector to become the country's largest by year 2010, and Lebanon is expected to attract close to 1 million tourists a year. Statistics released by the Lebanese Ministry of Tourism show an annual 28.29% surge in the number of tourists' arrivals to Lebanon during the first nine months of 2008. The total number of tourists reached 983,585 as at end of September 2008, up from 766,680 in the same period last year. Furthermore, the Ministry's publication also pointed that the number of Arab tourists occupied the first place (35,104 tourists) followed by the European and American tourists with 27,404 and 15,185 arrivals respectively. Additionally, the Beirut International Airport (BIA) activity rallied by 17.46% during the first eight months of 2008 owing to a more relaxed and stable political environment that followed the Doha accord and presidential election. The total number of passengers traveling through the Beirut Airport accumulated to 2.65 million through August 2008, including transit travelers, with the number of arriving passengers increasing by 19.18% to 1.11 million [28].

According to the Lebanese Ministry of tourism statistics, hotel average occupancy rate for 5-star hotels in Beirut has been seasonally fluctuating between 25% and 50% in 2007. Hotel average occupancy, however, shifted upward in May 2008 compared to the same period in 2007 owing to the regained confidence which followed the Doha accord in mid 2008:



According to HVS - Dubai, the global consulting and services organization specialized in hotel valuation and consultancy, 11 new hotels were planning to expand their operations in Beirut's Central District ("BCD") and the surrounding area prior to the 2006 war which stroke Lebanon, with investments worth \$700 million in the aggregate. The survey also pointed that hotels in Lebanon have suffered the lowest market occupancy (55%) compared to other regional markets covered in the study during the period 1996 to 2007 [29].



In 2007, Beirut's hotel occupancy fell by 10% to 39%. Despite the prevailing conditions, HVS' market snapshot projects some 2,000 additional rooms are planned to become available in Beirut as outlined in the following table ^[29]:

Hotels in the Pipeline in Beirut		
Hotel Name	Number of Rooms	Opening Date
Raouche Rotana Suites	170	2008
Hilton Beirut	167	2009
Four Seasons Hotel Beirut	235	2009
Grand Hyatt Beirut	354	2010
Campbell Gray Hotel	100	2010
Solidere Rotana Suites	250	2010

Source: HVS Company - Beirut Market Snapshot

According to Medbtikar report published on February 16, 2007, the Horizon Development Company, the subsidiary of the Irad Holding Group (owned by the Hariri family) and the Kuwait Project Company (owned by the Kuwaiti royal family of sheikh Sabah El Ahmad El Sabah), announced the development of a five star hotel in the Raouche area. The investment is expected to cost \$75 million in addition to some \$150 million to build a seaside and harbor complex in Damour under the name of "Port of Love" ^[30].

Also on the tourism front, Lebanon's Hilton Hotel, currently under development, benefits from a "Package Deal Contract" that was extended by the Investment Development Authority of Lebanon (IDAL) in August 2003 with the aim of reducing the project's development and pre-operating costs and encourages domestic private investments. The project, which is estimated to cost around \$60 million, has been awarded a 10-year tax exemption on corporate profits and dividend distribution, a 50% discount on construction permits, work permits and foreigners working visas. These same incentives, under the umbrella of the "Package Deal Contract", were first extended to the Metropolitan City Center project, located in Sin El Fil – Beirut. The Hilton Hotel project, which consists of 170 rooms allocated over a total construction area of 24,000 m², is 51% owned by a renowned Iraqi investor, while the remaining ownership stake is held by the Younes family ^[28].

B. Investment Poles

1. *Faraya*

There is a consensus among developers that the Faraya region is affected in a lesser extent by the political risk than other prime locations such as Beirut and suburbs. The demand is highly concentrated on all areas close to the ski slopes such as the Mzaar 2000 InterContinental Hotel, Faqra Club perimeters, and the Mzaar Lodge apartment buildings.

According to the Lebanon Opportunities Magazine, the prevailing trend in demand is shifting from the traditional chalet units towards plots of around 3,000 m² with all necessary amenities (pools, private gardens etc.). The high-end Faqra Club holds private ski slopes for exclusive clientele owning land plots within the complex ^[31].

In Faraya, land prices can range between \$800 and \$1,000 per square meter. However, the prices are cheaper in Faqra ranging between \$250 and \$300 per square meter. The following table sketches the prices of new developments in Faraya according to Lebanon Opportunities ^[31]:

New Faraya Developments					
Project Name	Description	Location	Developer	Stage	Starting Price
Ahlam resort	Gated Project: 300 villas between 300 and 1,200m ² on 750 to 5,000 m ² plots with shared facilities	Kfardebian	Sayfco Holding	Construction	\$1 to \$1.5 million/villa
Bakich Allotment	Total of 60,000 m ² divided into seven plots between 3,000 and 6,000 m ² for private development	Faqra Club	n/a	Sold out	\$275/m ² (land)
Clouds Villas	11 villas between 500 and 1,100 m ² on a total of 18,500 m ² of land	Faqra Club	Sayfco Holding	60-70% sold	\$2.5 million/villa
Faraya 1950	Semi-detached chalets, 18 chalets 120-300 m ² , private gardens, gated project	Kfardebian	Oxygen	Completed (90% sold)	\$2,500 m ²
Mzaar Lodge	Chalet buildings, 49 chalets, 120-450 m ² , simplexes/duplexes, private gardens on ground floors	Kfardebian	David Mansour	Finishing (75% sold)	\$2,200/m ²
Plot 296	Total of 100,000 m ² divided into 18 plots for private individual development and common grounds	Faqra Club	n/a	Sold out	n/a
Pond Allotment	Total of 85,000m ² divided into two plots of around 20,000 m ² for private development and common grounds	Faqra Club	n/a	Allotment	\$300-\$350m ² (land) \$2,000-\$3,000 m ² (villa)
Ruins Allotment	Six plots of about 5,000 m ² for private property development	Faqra Club	n/a	30% sold	\$300/m ² (land) \$2,000-\$3,000 m ² (villa)
Tital	Individuals villas, private gardens, shared facilities,Gated project	Kfardebian	David Mansour	Planning	\$2,500 m ²

Source: Infopro Research, Lebanon Opportunities - Issue 127 - January 2008

2. *Jamhour*

Jamhour is strategically located at proximity to the main Damascus Highway, and is surrounded by Araya, Yarzeh and the main Damascus Highway. Real estate experts expect the Jamhour area to witness a significant appetite from real estate developers in the coming period owing to the scarcity of land and supply in Baabda and Yarzeh following the withdrawal of the Syrian forces in 2005.

The cheap land prices in this area owe to two factors: the proximity from the main Damascus Highway and road accessibility. Land prices are hovering between \$60 - \$600 per square meter depending on the proximity to the highway, while expected prices of finished apartments are on the rise averaging \$1,200/m², yet remain much lower than in the Baabda region. The following table sketches land selling prices per square meter for all Jamhour, Araya and Yarzeh areas according to the Lebanon Opportunities magazine ^[32]:

Land Selling Prices in \$/sqm for Jamhour, Araya and Yarzeh	
Location	Prices
Along Damascus Highway	\$200-\$300
Near Araya - accessible by road	\$60 - \$90
Near Araya - not accessible by road	\$20 - \$30
Near Yarzeh - accessible by road	\$500 - \$600
Near Yarzeh - not accessible by road	\$250 - \$300
Near Bsous (Haret el Sit)	\$100 - \$150

Source: Lebanon Opportunities

Habtoor Group Holding, the real estate arm of Habtoor Group, sold the 52 apartments complex in its Jamhour Village Project at around \$850-\$900 the square meter. Additionally, the Habtoor Group Holding is in parallel developing new buildings in the Jamhour area namely, Olivar, Tital Jamhour and Jamhour Village ^[32].

3. Clemenceau

The Clemenceau area verges on the Beirut Central District with cheaper prices on both the commercial and retail fronts.

In addition to new luxurious residential towers and five-star hotels which emerged in the past few years, the region includes a number of monumental buildings. Its close proximity to the Hamra region makes it attractive for entrepreneurs. Recent commercial developments in the area include the new Clemenceau Medical Center and the Gefinor Rotana Hotel.

The Clemenceau Medical Center, in affiliation with Johns Hopkins International in the United States, was built on a prime 2,490 m² plot, with a total built-up area of 28,000 m², with six basement levels and eight upper floors. The \$40 million project houses 105 beds and state-of the art medical equipment and amenities (parking, conference center, etc.)

The Gefinor Rotana Hotel is located in the heart of the capital's business and shopping districts with 128 rooms including executive rooms and deluxe suites. The Hotel is located in the centre of the Clemenceau Street at proximity to the American University and its hospital ^[33].

Land prices in prime locations in Clemenceau are priced between \$2,500/m² and \$3,000/m² with apartments' prices ranging between \$3,000/m² and \$4,000/m² ^[33].

Markaz, the Kuwaiti Financial center, announced in year 2007 the launching of the Markaz Real Estate Opportunities Fund with an offering size of \$200 million. The Fund has secured two residential real estate opportunities in Lebanon, in Clemenceau and Badaro.

4. *Nahr El Mott - Dbayeh*

The Dora highway, which connects the Nahr El Mott area with Dbayeh, attracts commercial activity and offers a perfect investment opportunity for companies aiming at attracting passing-by customers.

According to the real estate advisors RAMCO founded in 1973 by Mr. Raja Makarem, several factors helped bolster commercial activity in the region, namely ^[33]:

- Some 250,000 to 300,000 people in term of daily traffic on the highway's two directions;
- It is bordered by a highly residential area which offers a lucrative investment opportunity for commercial enterprises.
- The commercial landscape is already occupied by a variety of institutions including shopping malls (Citymall, ABC Dbayeh), renowned restaurants (Bourj El Hamam, Mehana, etc.), landmark shopping stores (Aishti, Mike sport, etc.), car showrooms (Daewoo, Mazda, Mercedes, etc.) and galleries (Mobilitop, Obeji Better Home);
- The axis Nahr el-Mott - Dbayeh also includes a multitude of international and local food establishments (Hardees, KFC, Burger King, Wooden Bakery, Roadster Dinner, B to B, the House of the Coffee etc.).

On the residential front, prices are generally cheaper at the proximity of the valley of Nahr el-Kalb and on the Western frontage ranging between \$200 and \$350 per square meter.

5. *Qoreitem*

In a very restricted area, nine projects are under construction. This includes some 150 apartments whose selling prices start at \$3,500/m². This rise in residential prices accompanied the continuous selling of plots that surround the French Protestant College ^[33].

The most imperative sale was that of the old French Sporting Club, a small paradise in the middle of Beirut. This French state-owned property of 5,800 m² was purchased by year-end 2000 by the developer Mr. Jamil Ibrahim who is building three imposing towers of 20 stages with apartments of 600 m².

According to the real estate advisors RAMCO, projects in the Qoreitem region are encouraged by several factors, namely ^[33]:

- Qoreitem always profited from an excellent reputation. Same as the Sursock district in Achrafieh, Qoreitem groups high-end residential projects in Beirut. The region also embraces several villas owned by prominent Lebanese families; and
- In spite of its close proximity to the French Protestant College and the Lebanese American University, Qoreitem remains a relatively calm district.

C. The Lebanese Company For Reconstruction and Development - Solidere

The Lebanese Company for Reconstruction & Development (Solidere) which is the largest real estate developer in Lebanon and one of the largest in the Middle East region, was incorporated on May 25, 1994 with a mission to rebuild and redevelop the Beirut Central District ("BCD") after the ravages of the war.

Solidere is a publicly listed corporation with around 40,000 shareholders and built-up area estimated at \$3.7 billion at current market prices ^[34]. The reconstruction of the BCD included two phases: the first phase (1994-2004) centered upon the infrastructure and rehabilitation works, while the second phase (2005-2020) focuses on the launching and completion of several projects ^[36].

1. Solidere's Projects

In the first quarter of 2006, Solidere's effective land sales were worth \$1.1 billion, which is equivalent to all prior land sales since the inception of the Company. Land in the BCD was priced at \$1,400 to \$1,600 per square meter. The figure, however, fell dramatically during the second quarter of 2006 following the opposition strike and political clashes which lasted until the first half of 2008.

a) Seafront

The Seafront project is one of Solidere's main infrastructure projects, extending over an area of 18 hectares facing the BIEL site. The project, which initiated in 1999, is still in the construction phase after facing several impediments namely a lawsuit and the July 2006 war on Lebanon which slowed the construction process ^[35].

b) Special Souks

The Beirut Souk is a \$50.6 million multi-cultural project that mingles between the conventional Souk and a contemporary shopping area. The Souk Project, the largest project currently under implementation by Solidere, will entail shopping centers in addition to a jeweler's area grouping some 80 shops spreading over four blocks ^[35].

c) Saifi Village

The Saifi Village II, which extends over 750 sqm, will entail four blocks containing residential apartments of different sizes (200 sqm to 900 sqm) in an attempt to satisfy different customer tastes and needs ^[35].

d) Wadi Residence

The Wadi Bou Jmil development is a construction complex partitioned into two major parts (Wadi Hills and Wadi Grand Residence). The Wadi Grand Residence hosts 12 residential buildings allocated over 6 blocks housing 90 apartments. The Wadi Hills, which is engulfed by gardens and shopping outlets, embraces seven apartment buildings spanning over 8,000 square meters of land ^[36].

e) **Marina Tower**

The Marina Tower complex, which is divided into the Marina Tower (a \$200 million project), the Marina Garden and the Marina court, is located adjacently to the famous St. George Hotel. The Marina Tower, famous for its arched roof, achieved a pre-launch sale ratio of 100% with most of the transactions conducted by GCC citizens, namely Saudis, Kuwaitis and Qataris ^[35].

2. **Solidere's International Operations**

The Lebanese Company for Reconstruction and Development "Solidere" also launched Solidere International Limited (SI), a real estate development company incorporated in the Dubai International Financial Center with a capital of \$700 million, of which the Solidere Board of Directors has approved a \$165 million cash contribution, with the remaining \$535 million to raise through a private placement transaction.

Since its inception, SI has secured a number of real estate development projects in the region including Al Zorah project in the Ajman Emirate spanning over 11.5 million m² of land and a total consideration of \$1.1 billion. Similar projects are under development in the suburbs of Cairo including the Sheikh Zayed project in which SI has an agreement with SODIC and extend over a surface of 1.2 million m² of land owned by SODIC, and the Katameya indoor and outdoor residential project. The two projects in the pipeline in Egypt are worth \$4 billion, of which \$2.4 billion in Sheikh Zayed City labeled West Town, the second in Katameya for a total value of \$1.6 billion and labeled East Town. It is worth noting that Solidere International also announced that contracts negotiations in the South of Turkey and Saudi Arabia are closing their final phase ^[36].

D. **New Projects In the Pipeline**

1. **MENA Capital Projects**

The MENA Capital Private Equity Fund, which was incorporated in Guernsey, Channel Islands in June 2005, focuses on the development and management of real estate projects in the Middle East and North Africa region.

The following is a list of landmark real residential projects developed by MENA capital in the Beirut area ^[37]:

- **Sursock Residences**

The I. Sursock residence is located between Sursock Museum and Villa Linda Sursock. The project comprises of two buildings:

1. The "G" Tower spans over 24 floors. The first 20 floors are simplexes varying between 539 m² and 655 m², while the last 4 floors include two distinct duplexes.
2. The "M" Tower includes 7 floors. The first 5 floors are simplexes (385 m²/apartment) with the last two floors reserved for a duplex apartment ^[37].

- **Hochar Tower**

Hochar Tower is located on Corniche Ain El-Mreiseh in Ras Beirut. The 17 stories tower is at a close proximity to the American University of Beirut ("AUB") and the International College ("IC"). The tower will house two duplexes with areas of approximately 420 m² and 510 m². Each duplex will have its own private entrance and exquisite garden. The other 13 floors are simplex apartments of around 585 m² each. The project has an expected completion date by May 2010 ^[37].

- **Qoreitem Garden**

The Qoreitem Garden is located in the Qoreitem region at proximity to the Lebanese American University. It comprises two buildings:

1. Block "A" is divided into 12 stories with an area of 350m² each.
2. Block "B" and "C" span over 15 stories each, with apartments of 350 m² in size on the first 12 floors. The last three floors are 3 simplexes ranging in size from 683 m² to 713 m² each ^[37].

- **Wadi Grand Residency**

The Wadi Grand Residency is located in the Beirut Central District, the high-end area of Wadi Abou Jmil. The residence embraces six blocks rising six to seven floors each:

1. The "A" Block Landmark apartments is a 7 storey building, with flats of 470 m² for the first 5 floors and two duplexes of 650 m².
2. The "B" Block Valley Homes is a 7 storey building with 8 studios on the first floor and apartments of 450 m² to 475 m² each on the second to the fifth floors.
3. The "C" Block Parkview Homes is a 7 storey building with 6 studios on the first floor and apartments of 385 m² to 430 m² each on the second to the sixth floors.
4. The "D" Block Court View is a 7 storey building with 6 studios on the first floor and apartments of 387 m² to 397 m² each on the second to the fifth floors.
5. The "E" Block Lilac Garden is a 7 storey building with a kindergarden located on the first floor and twelve apartments of 280 m² and 310 m² each on the second to seventh floor.
6. The "F" Block Vineyard is a 7 storey building with one apartment per floor ranging from 445 m² to 485 m² ^[37].

2. Société de Conseil et de Gestion Immobilière

Societe de Conseil et de Gestion Immobilière ("CGI"), the real estate arm of the Audi-Saradar Group, unveiled the launching of four new real estate projects ^[38]:

- **Hugo 43**

Hugo 43 is a residential real estate project of approximately 150,000 m² of built-up area. The project is located in Achrafieh, lying within close proximity to the Beirut Central District. The project was launched in 2004 with a committed equity of \$9 million and is expected to be completed in 9 months.

Hugo 43 is a 22 stories building with 40 apartments of 375 m² of average space each (300 m², 400 m² and 1,400 m²). Selling prices for the first floor are set at \$3,500 per square meter with incremental \$100/ m² upper floor ^[38].

- **Gemmayze Village**

Gemmayze Village is a luxurious residential village 350 meters away from downtown Beirut. The project, which spans over 53,000 m² of built-up area, was launched in 2005 with a committed equity of \$34 million and an expected completion date of five years.

Gemmayze Village is allocated over 140 apartments with an average apartment size of 380 m² (200 m² – 1,000 m²). The land surface area is around 7,000 m² with an additional 3,000 m² of green spaces including a gym and a swimming pool ^[38].

- **Abdel Wahab 618**

Abdel Wahab 618 is a 33,000 m² built-up area (land area is 5,000 m²) luxurious residential complex located in Achrafieh at close proximity to Sassine Square and ABC Mall. The project was launched in July 2006 with a committed equity of \$27 million and is expected to be completed in 4 to 5 years.

Abdel Wahab 618 groups two towers and three low risers with 76 residential apartments and an average apartment size of 430 m² (300 m² – 1,000 m²). The project also comprises two swimming pools (indoor and outdoor), a gym and 2,000 m² of green spaces ^[38].

- **Marfaa 1474**

Marfaa 1474 is a 10,000 m² built-up area luxurious residential and commercial building located on Martyr's square, next to the Archeological Park, in the center of downtown Beirut. The project was launched by year-end 2005 with a committed equity of \$12 million and is expected to be completed in 3 to 4 years.

Marfaa 1474 includes a nine-storey building with 30 apartments of 333 m² of average space each (250 m², 500 m² and 7,000 m²) ^[38].

3. Other Landmark Projects

a) Les Domes De Sursock ^[39]

Located in the heart of Lebanon's capital, "Les Domes De Sursock" is a 28 storey two-tower residential project with a natural view covering a significant part of Mount Lebanon as well as the Mediterranean sea. "Les Domes De Sursock" is bordered by an array of renowned banks and financial institutions (Credit Libanais, Audi Bank, Byblos Bank, etc...) allowing its residents to conduct their banking operations at a very close proximity from their homes. On the Southern extremities of the project lies the Gemmayze area, renowned for its wild night life. Les Domes de Sursock is also bounded by two mega malls (ABC and Spinneys) allowing residents to satisfy most of their shopping needs inside a 400 meter radius of the towers. The project also lies at a five-minute drive away from the Beirut Central District, Verdun and the Hamra areas.

The project's estimated total cost (purchase of land and construction fees) according to an interview held with Mr. Karim Ibrahim ranges between \$87 million and \$97 million. The project is expected to be completed within 4 years, with the construction process encountering minor delays due to the discovery of historical ruins during the excavation process compelling project managers to synchronize between the drilling process on the one hand and the preservation of the historical ruins on the other hand. Presale activity was conducted at progressive levels with each level witnessing a higher pricing scheme than the previous one. The presale price soared from \$2,800 per square meter a year ago to some \$5,000 per square meter recently. The size of apartments range between 560 and 600 square meters with each apartment allotted 4 parking spaces.

Aside "Les Domes De Sursock" project, Jamil Ibrahim Est. is currently developing three other projects' namely the Dreambay project (a 20 floor residential tower in the Ain el Tineh area), the Astoria project in the Ain el Mraisseh area and the Skyhawk project. Furthermore Jamil Ibrahim Est. recently acquired the Carlton Hotel in Beirut with plans to demolish it and replace it with three residential towers.

b) La Residence ^[40]

DAMAC Properties, the largest privately-owned construction firm in the Middle East with a paid-up capital of \$3 billion, revealed plans to build a luxury residential tower in downtown Beirut called "La Residence" for a total consideration of \$150 million. The new project is one of the most luxurious real estate properties in the country designed by the international celebrity Ivana Trump and comprising 27 storeys. Dubai-based DAMAC Properties announced that it expects construction to be completed three years following the acquisition of land in early 2007. The project was projected to create around 300 new jobs.

c) Mouawad Investment Group ^[40 & 41]

The Mouawad Investment Group announced the completion of two large residential complexes in the Beirut Central District for a total estimated development cost of \$37 million. The first project "The Capital Gardens" valued at \$12 million comprises 23 residential units (175 m² - 300 m²) and four retail department stores. The project is located in Mina El-Hosn on a total land area of 1,500 m² and a construction area of 5,600 m². The second residential project "The Pavilions" valued at \$25 million is allocated over a construction area of 10,000 m² on a 3,400-m² lot in Wadi Abu Jamil. The project includes 16 typical apartments (200 m² - 500 m²), two pavilions triplex (690 m² - 830 m²), 2 pavilions duplex (400 m² - 500 m²) and four terrace apartments (300 m² - 550 m²). Construction is expected to start in May 2005 and completed in 2007. The Group conveyed a selling price ranging between \$3,000 per m² and \$3,500 per m² for both residential complexes.

VI. S.W.O.T Analysis

The following section addresses the strengths, weaknesses, opportunities and possible threats facing the real estate sector in Lebanon ^[42]:

A. Strength Areas

- Lebanon adopts a laissez-faire economy that facilitates and promotes foreign investments in Lebanon.
- The real estate sector is one of the key drivers of the Lebanese economy securing a great deal of inflows (most of which are in foreign currencies) from Lebanese expatriates, Arab and international investors.
- New amendments enacted by the Lebanese Central Bank tightened credit regulations pertaining to the real estate sector and protected Lebanon from the repercussions of the US subprime crisis and the subsequent World financial crisis.
- A solid and stable peg between the local currency (Lebanese Pound) and the US Dollar giving foreign investors flexibility in repatriating capital and profits with mitigated exchange rate risks.
- Lebanon's small geographical nature gives a real estate project the ability to be at a very close proximity from the mountains, ski resorts, golden beach strips, the airport and the downtown area at the same time.
- Real Estate developers can rely on local cement factories namely (Holcim Liban, Siblin Cement Company) and save additional costs imposed on imported cement.
- Albeit it witnessed an appreciation recently, the cost of labor is still relatively low owing to the influx of workers from Syria and other neighboring countries with cheaper labor force.
- Lebanon enjoys a moderate climate that is rarely witnessed in the Gulf area making it an attraction point for the regional Arab Community.
- The cost of living in Lebanon is still relatively lower than the cost of living in the Gulf, Europe and the United States which makes it a destination for a "cheap vacation" by Arabs and internationals.

B. Weaknesses

- Real estate development requires massive capital funding and depends to a great extent on pre-launch sales. Some developers, however, rely to a great extent on banks' financing facilities which are mainly extended to renowned real estate developers, transforming the real estate development sector into an oligopoly.
- A significant percentage of the latest real estate purchasing spree was done on a speculative basis dragging real estate prices to unprecedented levels to an extent that many real estate properties were over priced.
- The latest surge in demand drove prices up exorbitantly, making new residential apartments in Beirut unaffordable for the Lebanese middle income society.
- Plausible fear of a burst in the real estate sector in Lebanon was aggravated by the prevailing global financial turmoil which may put some pressure on demand.

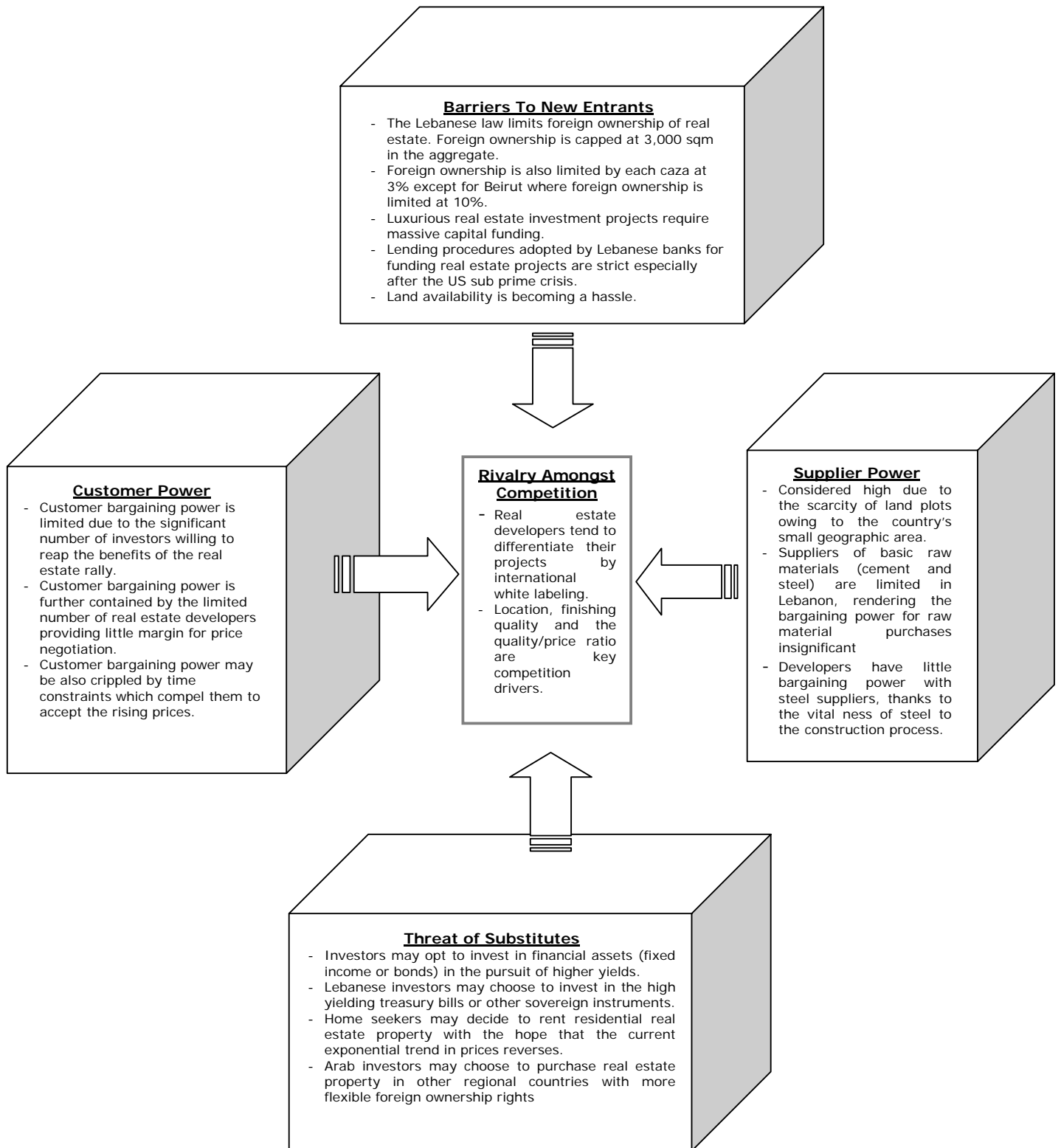
C. Opportunities

- Potential to reap the benefits of a rapidly developing real estate sector.
- A growing population from returning Lebanese expatriates that is providing an increasing local demand for real estate development.
- Property and land still relatively under priced when compared to some Gulf States.
- Unprecedented level of regional liquidity from oil reserves and increasing level of foreign direct investment.
- Presence of multiple sources of mortgage financing institutions (banks, the Housing Bank and the Public Housing Authority).
- An interest rate dampening environment.
- The current cap on foreign ownership is less stringent than the cap in some other Arab countries.
- Subsequent crashes in regional and international capital markets coupled with the recent global financial turmoil may foster an appealing investment environment in Lebanon and particularly in the real estate sector.

D. Threats

- Recently, social, religious and parliamentary figures have been attacking the current foreign ownership law in Lebanon describing it as too “generous” and implicating that foreign ownership should be further tightened to preserve Lebanon’s identity.
- Rising prices of raw materials pose a threat on the real estate sector by compelling developers to raise prices.
- The steep rise in land prices may render some real estate projects unfeasible.
- Any outbreak of the global financial crisis into Lebanon in terms of hammered liquidity levels locally and regionally many have devastating effects on the investment climate in general and the real estate sector in particular.

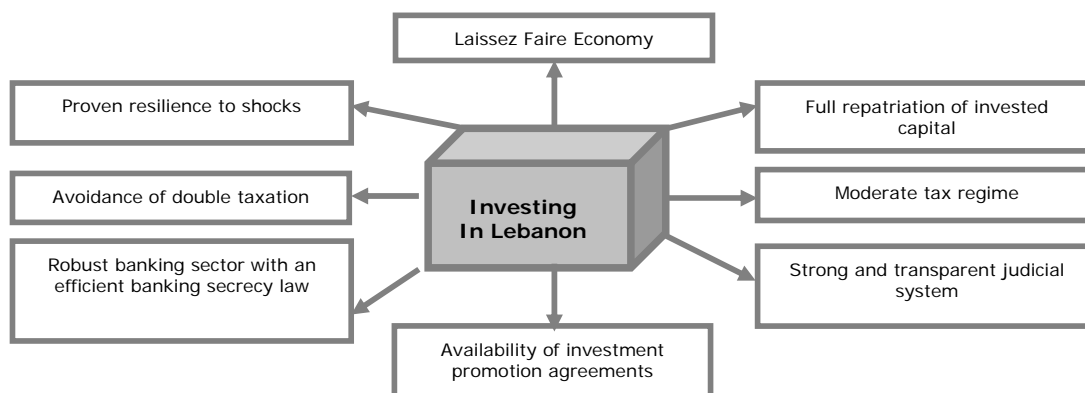
VII. Competition In The Lebanese Real Estate Market



VIII. Investment Drivers In Lebanon

The following section lists a series of investment pillars that promote investing in Lebanon in general and in the real estate sector in particular ^[42]:

- Free Laissez faire economy.
- Liberal Policies for investment and commerce.
- Guaranteed domestic and foreign investments through the support of local and international companies that alleviate investment risk to a certain extent.
- Developed, solid and advanced banking system characterized an efficient by banking secrecy law.
- A strong and transparent judicial system.
- Full convertibility of the Lebanese Pound coupled with a pegged exchange rate system against the US Dollar.
- Full repatriation of investment capital.
- Solid and modern regulatory environment that fosters protection rights to Lebanese and non-Lebanese investors.
- Moderate tax regime embracing one of the lowest taxation frameworks in the World. Top income tax rate is 20% while corporate income tax is 15%.
- Developed infrastructure with a state-of-the art telecommunication system.
- Investments made in Lebanon can benefit from a risk mitigation advantage offered the Inter-Arab Investment Guarantee Corporation and the National Investments Guarantee Corporation which guarantee inter-Arab and national investments up to a certain extent.
- Projects benefiting from a “package deal contract” between the investors and the Investment Development Authority of Lebanon (IDAL) will be fully exempted from taxes on profits for a period of 10 years, in addition to a maximum 50% reduction in permit fees for construction works binding said project.
- Imported hotel equipment are exempted from custom duties provided they meet certain criteria.
- Investment promotion agreements signed between the Republic of Lebanon and the Governments of other countries support and sponsor investments in Lebanon and facilitate the business climate of the promoter while protecting him from illegal or unethical proceedings he may have suffered.
- Lebanon’s fiscal system protects investors from double taxation by netting out any taxes incurred on investments in Lebanon from compulsory taxes borne by the foreign investor in his country of origin.



IX. Regulatory Framework

A. Capping on Foreign Ownership of Real Estate Property

The 1969 law details the size of land parcels a foreign national or corporation can own and where to own it.

According to the Ministry of Finance, the law No. 296 dated in April 3, 2001 stipulates that all non-Lebanese parties, whether individuals or corporates, and Lebanese corporate entities considered by the Law as being non-Lebanese willing to acquire any real estate rights on the Lebanese territory, are compelled to secure a license by decree from the Council of Ministers upon the proposal of the Minister of Finance.

Nevertheless, there are some cases that do not require a license namely, the acquisition by non-Lebanese individuals and corporates as well as Lebanese corporates considered by the Law as non-Lebanese, of built property or property set for building up to 3,000 m² throughout the Lebanese territory.

It is prohibited to extend a license to non-Lebanese individuals and corporate entities and to Lebanese corporate entities considered by the Law as non-Lebanese, to acquire more than 3% of the total surface of Lebanon, provided that it would not exceed 3% of the surface of each Caza, or 10% of Beirut.

In the following two cases, the rule is only applicable to 50% of the area owned:

- a) Partnerships or Limited Liability Companies, in cases where more than 50% of the shares are held by Lebanese partners, or fully Lebanese-owned companies whose statutes prohibits the transfer of shares to non-Lebanese;
- b) Joint Stock Companies or Partnerships Limited by Shares, where more than 50% of shares are held by Lebanese partners or by fully Lebanese-owned companies whose statutes prohibits the transfer of shares to non-Lebanese.

The licensed area, where ownership or any other real estate right has been acquired, should be used for the sole purpose specified in the license application, and the implementation of the project should be completed within 5 years from the registration date. This period is renewable only once by decision of the Council of Ministers.

B. Registration and Taxation

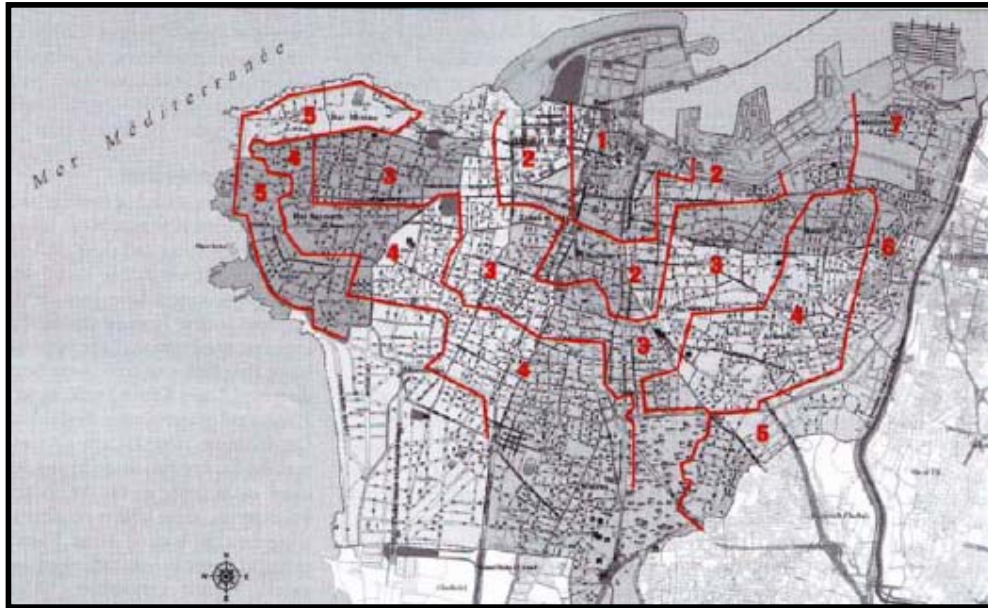
The Ministry of Finance holds a detailed record of every real estate property in Lebanon. The records are maintained at the Directorate of Land Registration and Cadastre headquarters in the Tabaris region. The Directorate also has branches in Riad al Solh, Baabda, Jounieh, Zalka, Sidon, the Bekaa and two branches in Tripoli with each branch holding the records of its respective area.

The ownership deed, sakk al mulkiya, holds information concerning the location, number and size of each plot as well as listing the registered owner, existing disputes over the ownership, Government order, pending legal cases and cites any planned roads that are crossing through the area. An applicant must file for a copy of the ownership deed, if he wishes to inquire about a specific plot, with the application

costing LBP 1,000 for processing and LBP 8,500 for a copy of the deed.

The Lebanese Ministry of Finance levies a 6% registration fee on the buying and selling of property or land. In addition to the 6% registration fee, a 0.3% municipality fee, a 0.3% stamp duties fee and a 0.1% lawyer's fee are imposed on the buyer.

C. Zoning



Source: Executive Magazine

Beirut is divided into seven real estate zones. Before listing the zones requirements, two ratios must be looked into: the Ground Exploitation Coefficient (GEC) and the Total Exploitation Coefficient (TEC).

The Ground Exploitation Coefficient is the maximum percentage footprint of a plot of land that a building can occupy. The Total Exploitation Coefficient is a multiple of the whole plot that defines the maximum construction area on the site.

"Zone 1" hosts the most expensive real estate. However, seafront properties remain the most expensive regions regardless of zone. Developers multiply the exploitation coefficient with the land plot size and account for some 20% additional space for balconies in an attempt to determine the permissible built-up-area. The following table portrays the exploitation coefficients related to each zone ^[43]:

Zones	Exploitation Coefficient	Additional Area (Balconies)
1	---	20%
2	5	20%
3	4	20%
4	3.5	20%
5	2.5	20%
6	2.5	20%
7	3	20%

Source: Executive Magazine, Issue 111 - October 2008

D. Works Exempted From Declaration ^[44]

Interior works that aren't related to the building's structure namely refurbishment works, painting, heating, air conditioning and tiling works are exempted from any previous declaration to any authority.

E. Works Requiring Previous Declaration ^[44]

1. **From the Chief of the Executive Authorities in the Relevant Municipality:** Exterior works falling under the umbrella of regular maintenance and improvement unrelated to the building's main skeleton namely painting, exterior tiling, the installation and replacement of the water, electrical and hygiene grids as well as ant-corrosion activities.

Furthermore, owners in partitioned buildings or establishments must obtain the signatures of at least 75% of the owners of the other apartments before conducting any of the above mentioned activities.

2. **From the Chief of the Executive Authorities in the Relevant Municipality And From The Official Technical Quarters:** Works that may affect the building's main skeleton such as piling, shoring up, ceiling replacement, establishment of support walls, demolition and crafting of new windows and doors as long as these activities don't contradict with the unity of the establishment according to certified maps issued from the order of engineers.

It is worth noting that for buildings and establishments that were existing before September 13, 1971, the prior consent of the Chief of the Executive Committee in the Relevant Municipality is substituted with a signed written declaration from an engineer, certified by one of the two orders of engineers, that takes into consideration the structural safety of the building.

F. Technical Conditions Of Declaration Exempt Activities ^[44]

Establishment of Railings or Fences: Railing or fences away from public roads (existing or envisioned) or property can attain a maximum height of 2 meters. Iron or drilled wooden bars may be erected on the top of the railing on the condition that the total height of the railing along with bars does not exceed 3 meters.

Railing or fences built at an intersection with public roads or property are allowed maximum elevation of 1.2 meters. An additional part consisting of iron bars or drilled wooden or concrete sections may also be added to the railing as long as the total height of the structure doesn't exceed 3 meters from ground level.

G. Balconies, Verandas And Porches ^[44]

Law 646 article 28 stipulates that the total area of balconies must not exceed 25% of the area of the apartment. As for industrial buildings, the maximum total area of the balconies is set at 5%.

H. BDL Circulars Binding Real Estate Activities ^[45]

Intermediary Circular 9958 dated July 21, 2008, which was issued pursuant the U.S. sub prime crisis, amends basic circular 7776 dated 21/2/2001 which is concerned with the loans, investment, sharing and participation procedures imposed on Lebanese banks.

Intermediary Circular 9958 promulgates that banks should not extend real estate loans whose values exceed 60% of the desired property or real estate project under construction. The article also stipulates that the value of the loan must not exceed 60% of the guarantee offered by the investor.

The circular, however, exempted the following cases from the conditions of the amendment:

- Housing loans intended for the acquisition of a first home
- Housing loans extended by the Housing Bank (Banque de L'Habitat)
- Housing loans extended by the Public Housing Institute and loans allocated to army volunteers.
- Housing loan programs mentioned in the basic circular 6180 dated May, 31 1996.

Banks are also prohibited from the undertaking or financing of real estate brokerage operations.

The circular also encourages banks to consistently check the intended purpose of the loan at least once a year and reconsider the further offering of facilities when the investor deviates from the intended purpose of the loan.

Banks that fail to abide by the stipulations of article 9958 will be reported by the Banking Control Commission (BCC) to the Lebanese Central Bank and will be subject to penalties.

Banks violating circular 9958 will be required to post a minimum reserve account in a non-interest bearing account at the BDL.

I. Rental Law

The Lebanese rental law distinguishes between rental contracts signed prior July 23rd, 1992 and those signed after that date.

Contracts signed before July 23rd, 1992, are bound by law number 160 and give the tenant the right to incessantly renew the contract with rent increments implemented on the basis of a predetermined formula. These contracts give a significant advantage to the tenant because they deny the lessor the opportunity to efficiently benefit from his apartment as long as the tenant is abiding by the stipulations of the contract. The law only permits the eviction of the tenant if one or more of the following cases occur:

- The tenant fails to honor his contract for two consecutive months after being legally notified.

- The exploitation and use of the apartment for activities other than those permitted in the clauses of the contract.
- Total or partial leasing of the property by the tenant without written approval by the lessor.
- The tenant acquires a similar residential property within a radius of 3.5 kilometers of the leased apartment.
- Uninterrupted departure from the apartment (except for security reasons) for one year whilst paying rent or leaving the apartment for 6 months without paying rent. As for non-Lebanese, the uninterrupted abandonment of the apartment for 6 months will trigger an eviction clause.
- The landlord, or a member of his direct family, needs the property for a personal use provided he does not own another equivalent property in the same municipal area.
- The landlord plans to demolish the building and construct another one.

It is worth noting that in both of the above mentioned cases, the landlord has to compensate the tenant for some 25-50% of the value of the property.

The following section depicts cases of contracts signed prior to July 23rd, 1992 where law number 160 may not be applicable:

- Rental contracts for agricultural plots and related buildings.
- Seasonal rents.
- Apartments offered to employees by employers as part of the work agreement.
- Rent contracts pertaining to villas built after March 25, 1974.
- Contracts of state and municipal properties.
- Contracts of touristic labeled furnished property.

Contracts signed after July 23rd, 1992 (also labeled temporary rents) are subject to article 543 of the Code of Obligation which stipulates the following items:

- The landlord assumes responsibility for any major hidden defects that render the apartment unusable. As for minor defects, window glass and doors, they follow under the liability of the tenant.
- Unless otherwise stipulated by the contract, taxes and utility bills are borne by the landlord.
- The tenant must pay the rent on time and maintain the place in good condition but is not liable for the natural depreciation or depletion of the rented property.
- Leasing of the property by the tenant is allowed and the second tenant will be liable to the landlord.
- The exploitation and use of the apartment by the tenant for activities other than those permitted in the clauses of the contract can elicit the cancellation of the contract.
- The contract persists even after the death of the landlord or the tenant.

The following section depicts cases of contracts signed after July 23rd, 1992 where article 543 of the Code of Obligation may not be applicable:

- Apartments offered to employees by employers as part of the work agreement.
- Seasonal rents.

If the tenant opts to leave the property, he must give a two months prior notice to the landlord.

The parliament is currently preparing a new draft to amend law number 160. The new draft will allow the landlord either to pay the tenant 20% of the value of the apartment or negotiate a new contract with the tenant after eight years from the decreeing of the amendment.

X. Statistical Analysis

A. Recent Statistics In Beirut

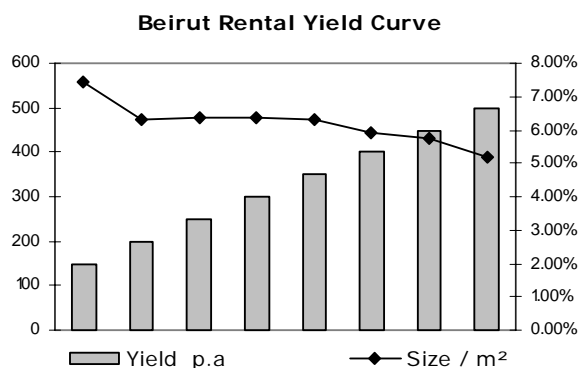
According to the 2008 Statistics published by the Global Property Guide, real estate in Beirut is among the cheapest in the World. Beirut ranked 83rd globally in terms of average monthly rent for an apartment and average apartment purchase sqm selling prices. Furthermore, in terms of the monthly rent for 120 sqm apartments, Beirut ranked sixth out of seven markets in the MENA region ^[46].

More particularly, Beirut's monthly rental cost for 150 m² apartments is estimated at \$1,154 and is considered lower than the regional average of \$1,740. The survey included Achrafieh, Beirut Central District, Hamra, Jnah, Ramlet El Baida, and Verdun. The following table portrays the average prices in Beirut depending on the size of the apartment ^[46]:

Beirut Apartments	Cost to Buy	Cost Monthly Rent	Yield (p.a)	Price / sqm to Buy	Price / sqm monthly rent
150 m ²	\$185,500	\$1,154	7.46%	\$1,237	7.69
200 m ²	\$294,400	\$1,550	6.32%	\$1,472	7.75
250 m ²	\$384,000	\$2,038	6.37%	\$1,536	8.15
300 m ²	\$462,600	\$2,460	6.38%	\$1,542	8.20
350 m ²	\$602,000	\$3,164	6.31%	\$1,720	9.04
400 m ²	\$756,400	\$3,728	5.91%	\$1,891	9.32
450 m ²	\$878,850	\$4,226	5.77%	\$1,953	9.39
500+ m ²	\$1,087,000	\$4,715	5.21%	\$2,174	9.43

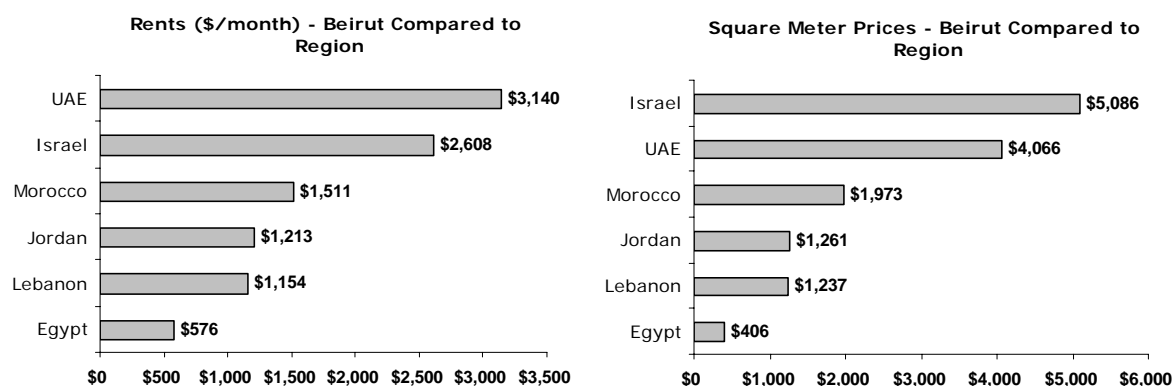
Source: Global Property Guide, Lebanon Oportunities

Last update: October 1, 2007



The average yields or rental properties in Beirut fell to 6.22% from 10.2% per annum in 2004. Global Property Guide statistics also unveiled that average apartment acquisition prices in Beirut stood at \$1,690 per sqm in 2008. Large apartments are priced at \$2,174 per sqm on average, while small apartments are selling at an average price of \$1,237 per sqm ^[46].

The following charts highlight Beirut's monthly rental cost and square meter acquisition prices compared to other countries in the region ^[46]:



Source: Global Property Guide Apartment's size 150 m²

1. Rental Income Tax

According to Global Property Guide, rental income in Lebanon is taxed at a flat rate of 4%. An additional progressive tax is the built-up property tax, charged on rental income in excess of LBP 20 million (\$13,266). Additionally, capital gains on properties are taxed at 10% yet not incurred unless individual taxpayers are trading in real estate investments ^[46].

Built-Up Property Tax	
Taxable income	Tax Rate
LBP 20 million - LBP 40 million (\$26,543)	2%
LBP 40 million - LBP 60 million (\$38,912)	4%
LBP 60 million - LBP 100 million (\$64,970)	0.5% on band over \$418,050
LBP 900,000 -LBP 1,189,999 (\$692,280)	7%
LBP 100 million - LBP 180 million (\$116,947)	10%
Over LBP 180 million (\$116,947+)	13%
Over LBP 2,699,999 million (\$1,792,000)	3.5% on all value over \$1,792,000

Source: Global Property Guide

2. Transaction Costs

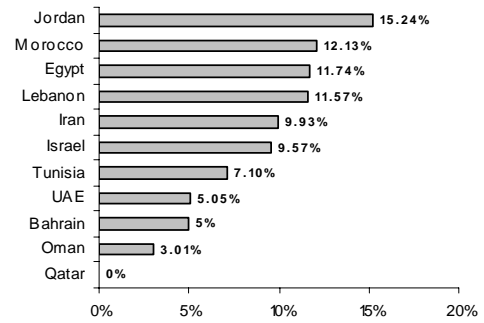
Global Property Guide ranked Lebanon 62nd globally and fourth among ten markets in the region in terms of Roundtrip Transaction Cost. The roundtrip costs include the cost of buying and reselling residential property as a percentage of the property's value. Lebanon's roundtrip transaction cost is projected to be 11.57% higher than the regional average of 9%. The following table portrays the components of the roundtrip transaction costs ^[46]:

Transaction Costs		
Registration Fee	5.00%	Payer: Buyer
Transfer tax	5.00%	Payer: Buyer
Stamp duty	0.30%	Payer: Buyer
Municipality Fee	0.25%	Payer: Buyer
Bar association tax	0.10%	Payer: Buyer
Notary tax	0.10%	Payer: Buyer
Lawyer's Fee	LBP 750,000 (\$487)	Payer: Buyer
Real Estate Certificate	LBP 10,000 (\$6)	Payer: Seller
Costs paid by buyer	11.56%	Payer: Buyer
Cost paid by seller	0.01%	Payer: Seller
Roundtrip Transaction Costs	11.57%	Payer: Seller

Source: Global Property Guide

CREDIT LIBANAIS RESEARCH UNIT

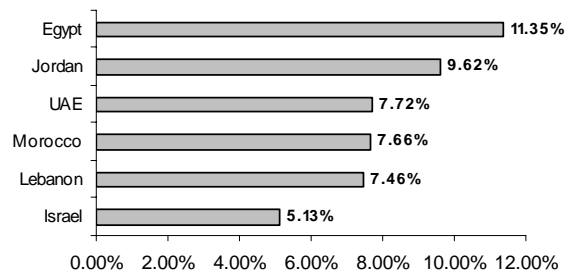
Roundtrip Transaction Costs - Lebanon Compared to The Region



Source: Global Property Guide

The survey by Global Property Guide also ranked Beirut 42nd out of 109 countries in terms of Gross Rental Yield (GRY) which is the annual rent as function of apartment value before taxes, maintenance fees and other costs. The following chart positions Lebanon among other countries in the region in terms of GRY [46]:

Gross Rental Yields - Lebanon Compared to The Region



Source: Global Property Guide

B. Pricing Trends By Region

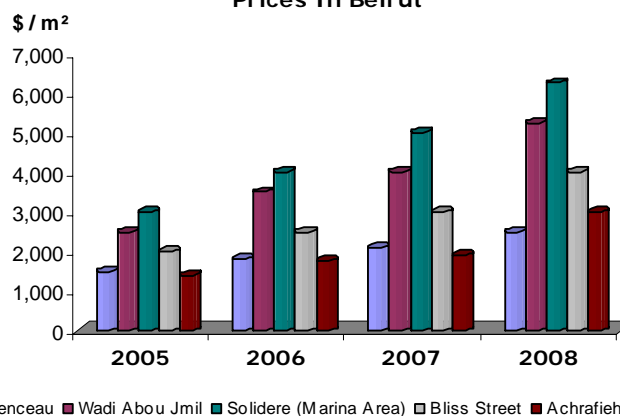
1. Evolution of Residential Prices

The following table depicts the evolution of average residential units prices in Beirut [47].

Evolution In The Prices Of Residential Property (\$/sqm)	2005	2006	2007	2008	CAGR
Clemenceau	1,500	1,800	2,100	2,500	18.56%
Wadi Abou Jmil	2,500	3,500	4,000	5,250	28.06%
Solidere (Marina Area)	3,000	4,000	5,000	6,250	27.72%
Bliss Street	2,000	2,500	3,000	4,000	25.99%
Achrafieh	1,400	1,750	1,900	3,000	28.92%

Source: Al-Iktissad Wal-Aamal Magazine & Mr. Raja Makarem

Evolution of Average Real Estate Residential Prices In Beirut



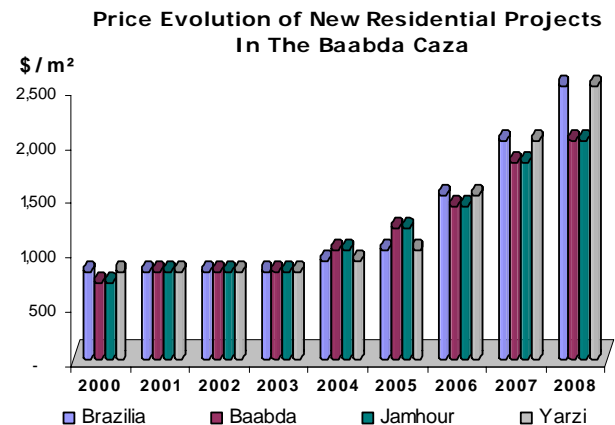
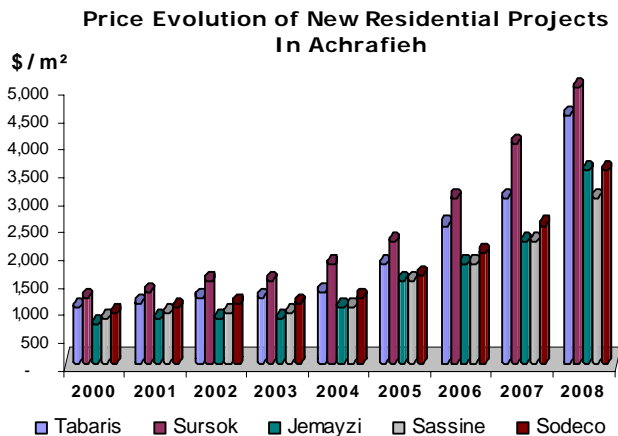
As sketched by the preceding table, the Solidere (Marina) area emerges as the most expensive area among its peers. The average price of a first floor apartment in the Marina area advanced by 108.33% over the past three years from \$3,000/sqm in 2005 to \$6,250/sqm in 2008. In terms of compounded annual growth, however, the Achrafieh area registered the sharpest growth with the average price of a first floor apartment soaring from \$1,400/sqm in 2005 to \$3,000/sqm in 2008, and thus a geometric annual growth of 28.92% [47].

The following table, which depicts the evolution of high-end residential prices (according to interviewed real estate experts) in various Lebanese regions since the year 2000, conveys that the Achrafieh area in general, and the Gemmayze area in particular, witnessed the fastest cumulative appreciation (400%) in prices over the past eight years, notwithstanding the discrepancy in the prices between the preceding tow tables. Prices of high-end residential apartments in Gemmayze grew at a compounded annual growth rate of 22.28% from \$700 in the year 2000 to \$3,500 in 2008, closely followed by the Tabaris and Sursock area whose prices expanded at compounded annual growth rates of 20.68% and 19.63% respectively [47].

Price Evolution of New Residential Real Estate Projects In Prime Locations \$ / m ²									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Greater Beirut									
Achrafieh									
- Tabaris	\$1,000	\$1,100	\$1,200	\$1,200	\$1,300	\$1,800	\$2,500	\$3,000	\$4,500
- Sursok	\$1,200	\$1,300	\$1,500	\$1,500	\$1,800	\$2,200	\$3,000	\$4,000	\$5,000
- Jemayzi	\$700	\$800	\$800	\$800	\$1,000	\$1,500	\$1,800	\$2,200	\$3,500
- Sassine	\$800	\$900	\$900	\$900	\$1,000	\$1,500	\$1,800	\$2,200	\$3,000
- Sodeco	\$900	\$1,000	\$1,100	\$1,100	\$1,200	\$1,600	\$2,000	\$2,500	\$3,500
Hazmieh									
- Hazmieh Al Sayad	\$700	\$700	\$700	\$700	\$700	\$800	\$900	\$1,200	\$1,500
- Mar Takla	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,200	\$1,500	\$1,800
Dekwaneh									
- Dekwaneh	\$600	\$600	\$600	\$600	\$600	\$700	\$800	\$900	\$1,000
- New Rawdah	\$600	\$600	\$600	\$600	\$600	\$700	\$800	\$900	\$1,000
Sin El Fil									
- Saloumi	\$700	\$700	\$700	\$700	\$700	\$800	\$900	\$1,200	\$1,500
- Hayeck	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,200	\$1,500	\$1,800
- Hirj Tabet	\$900	\$900	\$900	\$900	\$1,000	\$1,200	\$1,500	\$1,800	\$2,000
West Beirut									
- Hamra	\$1,000	\$1,100	\$1,200	\$1,200	\$1,300	\$1,800	\$2,200	\$3,000	\$3,500
- Verdun	\$1,500	\$1,500	\$1,500	\$1,500	\$2,000	\$2,200	\$2,500	\$3,500	\$4,500
- Rawcheh	\$1,800	\$1,800	\$2,000	\$2,000	\$2,500	\$3,500	\$4,500	\$5,500	\$6,500
- Ramlet El Bayda	\$2,000	\$2,000	\$2,500	\$2,500	\$2,500	\$3,500	\$4,500	\$6,000	\$7,000
Mount Lebanon - Baabda Caza									
Baabda									
- Brazilia	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,500	\$2,000	\$2,500
- Baabda	\$700	\$800	\$800	\$800	\$1,000	\$1,200	\$1,400	\$1,800	\$2,000
Jamhour									
- Jamhour	\$700	\$800	\$800	\$800	\$1,000	\$1,200	\$1,400	\$1,800	\$2,000
- Yarzi	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,500	\$2,000	\$2,500
Mount Lebanon - Metn Caza									
Naccache									
- New Naccache	\$1,000	\$1,100	\$1,200	\$1,200	\$1,300	\$1,800	\$2,000	\$2,200	\$2,500
- Rabieh	\$1,000	\$1,100	\$1,200	\$1,200	\$1,300	\$1,800	\$2,000	\$2,500	\$2,800
- Biyada	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,500	\$1,800	\$2,200
- Awkar	\$700	\$700	\$700	\$700	\$700	\$800	\$900	\$1,200	\$1,500
Broumana									
- Bsalim	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,200	\$1,500
- Jouret El Ballout	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,200	\$1,500
- Broumana	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,200	\$1,500
- Beit Miri	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,200	\$1,500
- Ein Saadeh	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,200	\$1,500
- Baabdat	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,200	\$1,500
Kesserwan Caza									
Jounieh									
- Adonis	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,500
- Jounieh	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,500
- Sahel Alma	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,500
- Adma	\$1,000	\$1,000	\$1,000	\$1,000	\$1,100	\$1,200	\$1,500	\$1,800	\$2,500
- Kfarehabab	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,200	\$1,200	\$1,500
- Ghazir	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,300
Jeita									
- New Shaylé	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,500
- Jeita	\$800	\$800	\$800	\$800	\$900	\$1,000	\$1,100	\$1,200	\$1,500
Upper Mountains									
- New Ballouneh	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200
- Ajaltoun	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200
- Rayfoun	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200
- Faytroun	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200
- Mayrouba	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200
- Faraya	\$700	\$700	\$700	\$700	\$800	\$900	\$1,000	\$1,100	\$1,200

Note: Prices are indicative only

Source: Interviews with Lebanese Real Estate Experts



Although the Gemmayze area witnessed the highest compounded annual growth rate over the past eight years, the Sursok region has maintained its position as the most expensive spot in Achrafieh with prices reaching a staggering \$5,000 per square meter in 2008.

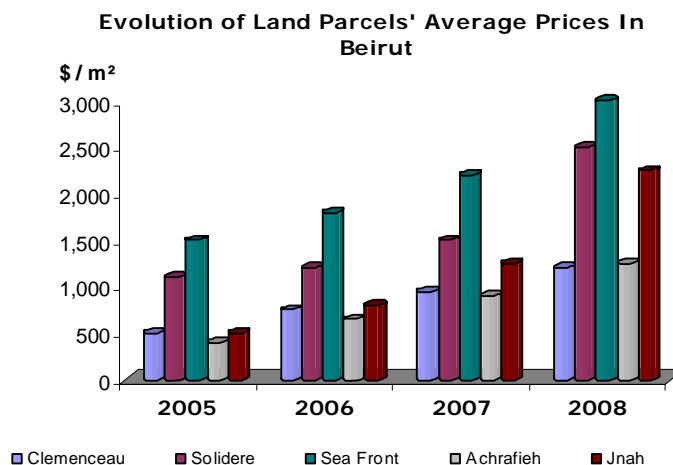
As for the Baabda Caza, the Brazilia and Yarzeh luxurious areas are screened as the priciest areas with a selling price of \$2,500 per square meter.

2. Evolution of Land Parcel Prices

The value of land constitutes an essential part of the total cost of any real estate project. The prices of land parcels have been exorbitantly on the rise over the past couple of years and contributed markedly to the rally in the prices of real estate residential properties. One of the main drivers of the boom in land prices is the limited and shrinking supply of land in Lebanon's major cities. The following table depicts the evolution in the average prices of land parcels in Beirut's major arteries:

Evolution In The Prices Of Parcels (\$/sqm)	2005	2006	2007	2008	CAGR
Clemenceau	500	750	950	1,200	33.89%
Solidere	1,100	1,200	1,500	2,500	31.48%
Sea Front	1,500	1,800	2,200	3,000	25.99%
Achrafieh	400	650	900	1,250	46.20%
Jnah	500	800	1,250	2,250	65.10%

Source: Al-Iktissad Wal-Aamal Magazine & Mr. Raja Makarem



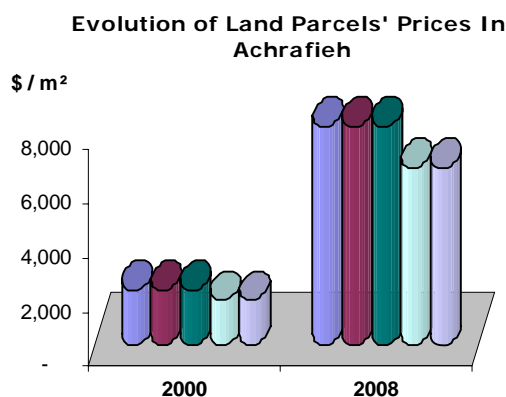
As depicted by the above chart, the seafront area remained the posh area in Beirut in terms of land prices. The average price of a parcel plot on the Sea Front area stood a staggering \$3,000/sqm. It is worth highlighting the substantial 65.1% geometrical growth in land prices in the Jnah area. A simple comparison between the preceding would clearly reveal that the evolution in land prices outpaced the evolution in prices of residential areas (46.6% CAGR of land prices in Achrafieh versus 28.92% CAGR in residential property prices). According to Mr. Karim Ibrahim of Jamil Ibrahim Est. the price of land in Lebanon constitutes 60-70% of the apartment versus a much smaller percentage (5-10%) in other developing countries.

The following table, which depicts the evolution of land parcel prices (according to interviewed real estate experts) in various Lebanese spots since the year 2000, conveys that the West Beirut area in general and the Rawcheh area in particular witnessed the fastest pace in prices over the past eight years ^[48].

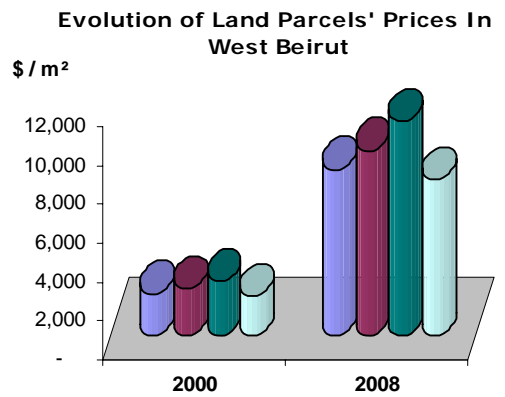
Evolution of Land Parcel Prices In Prime Locations \$ / m ²		
	2000	2008
Greater Beirut		
Achrafieh		
- Tabaris	\$1,750 - \$2,250	\$7,000 - \$9,000
- Sursok	\$1,750 - \$2,250	\$7,000 - \$9,000
- Jemayzi	\$1,750 - \$2,250	\$7,000 - \$9,000
- Sassine	\$1,500 - \$1,750	\$6,000 - \$7,000
- Sodeco	\$1,500 - \$1,750	\$6,000 - \$7,000
Hazmieh		
- Hazmieh Al Sayad	\$250 - \$350	\$1,000 - \$1,400
- Mar Takla	\$150 - \$175	\$600 - \$700
Dekwaneh		
- Dekwaneh	\$75 - \$100	\$300 - \$400
- New Rawdah	\$75 - \$100	\$300 - \$400
Sin El Fil		
- Hayeck	\$200 - \$275	\$800 - \$1,100
- Hirj Tabet	\$200 - \$275	\$800 - \$1,100
West Beirut		
- Hamra	\$2,000 - \$2,250	\$8,000 - \$9,000
- Verdun	\$2,250 - \$2,500	\$9,000 - \$10,000
- Rawcheh	\$2,500 - \$3,000	\$10,000 - \$12,000
- Ramlet El Bayda	\$1,750 - \$2,250	\$7,000 - \$9,000
Mount Lebanon - Baabda Caza		
Baabda		
- Brazilia	\$150 - \$250	\$600 - \$1,000
- Baabda	\$150 - \$200	\$600 - \$800
Jamhour		
- Jamhour	\$125 - \$150	\$500 - \$600
- Yarzi	\$125 - \$150	\$500 - \$600
Mount Lebanon - Metn Caza		
Naccache		
- New Naccache	\$200 - \$300	\$800 - \$1,200
- Rabieh	\$100 - \$125	\$400 - \$500
- Biyada	\$100 - \$125	\$400 - \$500
- Awkar	\$75 - \$100	\$300 - \$400

Note: Prices are indicative only

Source: Interviews with Lebanese Real Estate Experts



■ Tabaris ■ Sursok ■ Jemayzi ■ Sassine ■ Sodeco

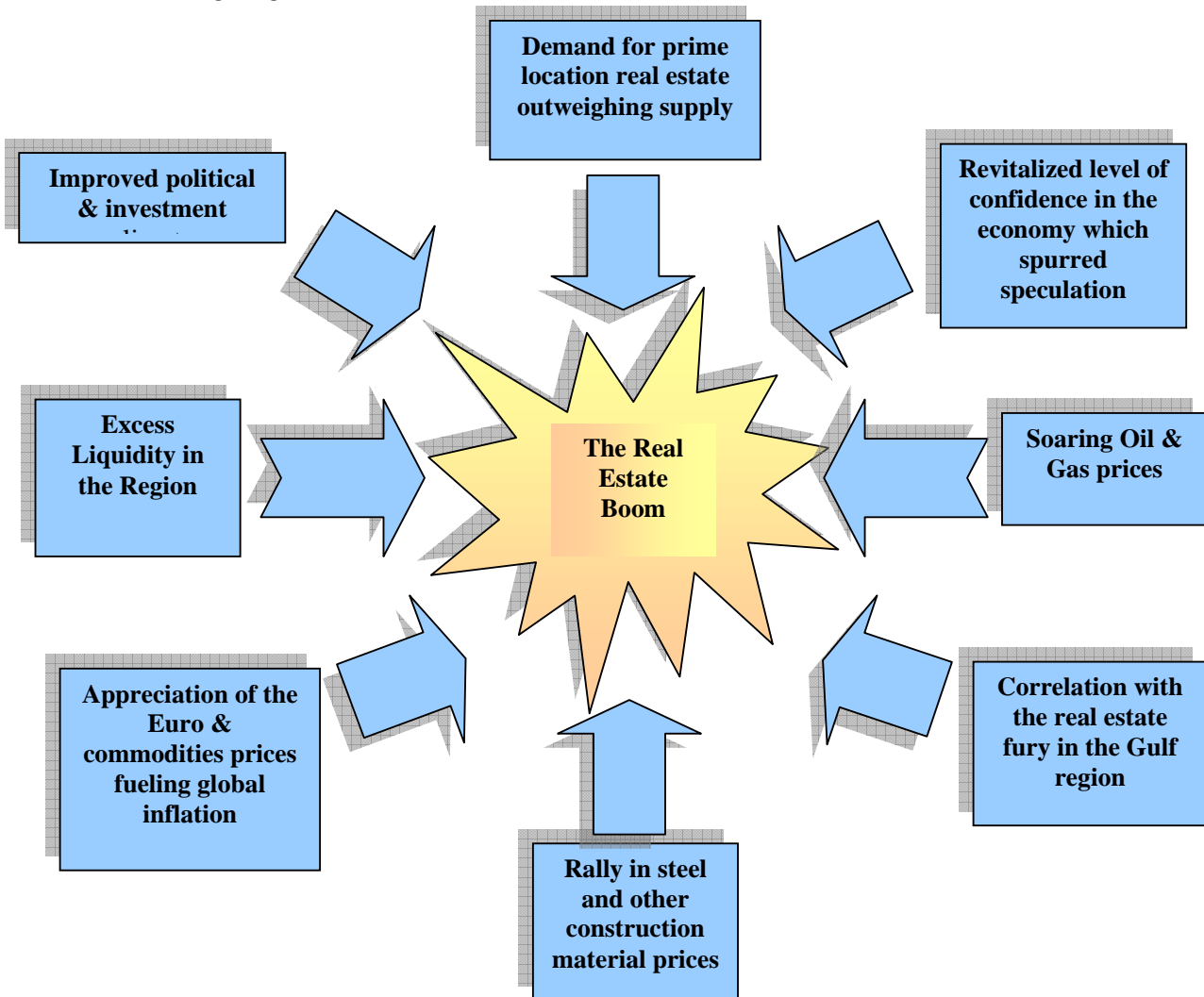


■ Hamra ■ Verdun ■ Raw cheh ■ Ramlet El Bayda

C. The Real Estate Riddle

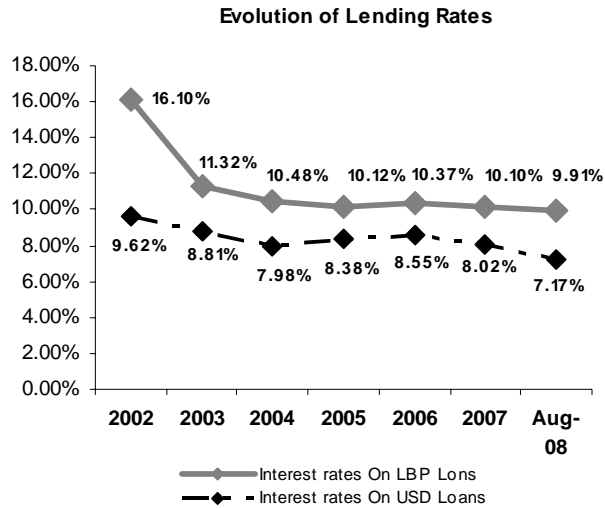
1. Factors Influencing the Real Estate and Construction Sector In Lebanon

Real estate activity in Lebanon has bolstered in the last couple of years owing to a combined effect of global macroeconomic factors (excess liquidity in the region, soaring commodities prices, lower interest rates, global inflationary environment, etc.), a robust appreciation in construction raw material prices (steel, cement, etc.), and improved investment and political conditions. This is further illustrated in the following diagram:



a) Low interest rates:

Interest rate levels exhibit negative correlation with the growth in the real estate sector. Lower interest rate levels trigger lower financing cost for real estate developers and home owners. This was evidenced between the year 2000 and 2004, putting the number of real estate transactions up by more than 20%. More particularly, Lebanese Pound lending interest rates fell from 16.1% in 2006 to 10.1% in 2007 and 10.09% as at end of August 2008. In parallel, interest rates on U.S. Dollar denominated loans eased from 8.02 % in 2006 down to 7.17% as at end of August 2008. This is further illustrated in the following chart ^[49]:



b) Excess Liquidity Levels:

The healthy liquidity in the Lebanese banking sector along with the efficient management implemented by Lebanese banks played a vital role in the development of the Lebanese real estate sector.

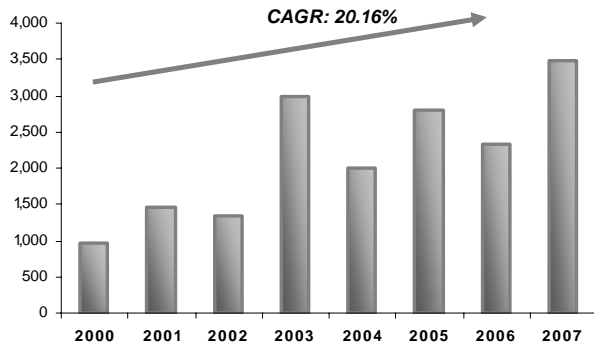
In parallel, the significant events that occurred in the Gulf Cooperation Council (GCC) area channeled substantial investments towards the Middle East region in general and Lebanon in particular. The Saudi stock market crash in 2006 which saw share values shed some \$350 billion in a period of 3 months poured considerable influx into the Lebanese economy. This was further amplified by the recent oil boom which saw oil prices burgeon to attain an all time record high of \$147.27 on July 11, 2008. This has fueled liquidity levels in the GCC area from the excess oil and gas reserves, part of which flowed in the form of real estate investments in Lebanon.

The following table portrays the evolution of foreign direct investments in Lebanon in comparison with the trend in average oil prices during the period 2000 – 2007 ^[50]:

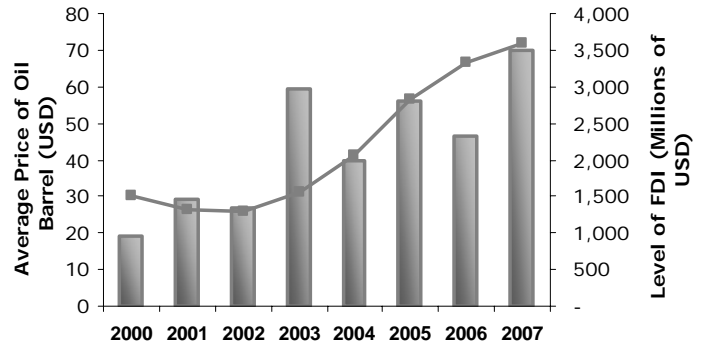
	2000	2001	2002	2003	2004	2005	2006	2007
FDI In Lebanon (\$ Million)	964	1,451	1,336	2,977	1,993	2,791	2,321	3,486
Average Oil Prices	\$30.4	\$26.3	\$26.0	\$31.1	\$41.3	\$56.5	\$66.4	\$71.8

Source: Reuters, World Bank & UNCTAD

Foreign Direct Investment - USD Million



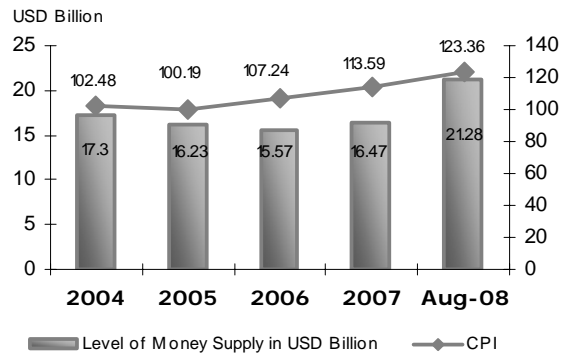
Evolution of FDI vs Average Price of Oil Barrel



As conveyed by the above charts, foreign direct investments in Lebanon have been growing at a compounded annual growth rate of 20.16% since the year 2000 to \$3.48 billion in 2007, constituting 83.49% of total real estate transaction values.

The above analysis clearly illustrates a positive correlation between the trend in FDI flows and the average price of the oil barrel. A consequence to the luring liquidity from Lebanese expatriates and Arab investments in Lebanon was a 3.82% compounded annual growth in the "M2" monetary aggregate to LBP 24,830.67 billion in 2007. The following illustrates the trend in the "M2" money supply against inflation which was sparked by the unique appreciation in World commodities prices [51]:

Money Supply vs CPI



c) Prices of Raw Materials:

Unquestionably raw material prices have played a vital role in inflating real estate properties prices in Lebanon. With steel prices peaking at \$1,550/ metric ton in 2008 and cement prices hitting the \$100 bar per ton, new construction projects' price elasticity drifted to higher grounds [52].

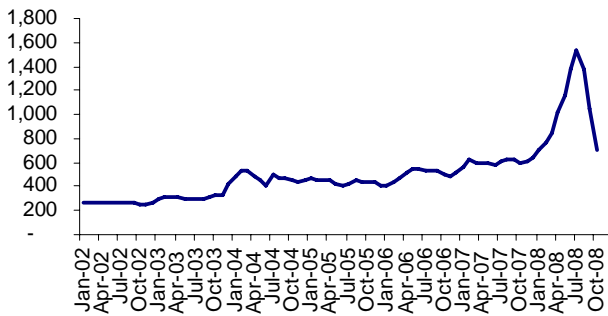
Constructions Materials Prices						
Period	Portland Cement (\$/ton)	White Cement (\$/ton)	Steel - 420 (\$/ton)	Steel - 280 (\$/ton)	Skilled Labor (\$/Day)	Unskilled Labor (\$/Day)
Dec-00	\$68 + LBP 13,000(Tax)	\$180 + LBP 13,000(Tax)	\$240-\$250	\$240-\$250	\$20-\$25	\$10-\$12
Dec-01	\$68 + LBP 13,000(Tax)	\$180 + LBP 13,000(Tax)	\$250-\$270	\$250-\$290	\$20-\$25	\$10-\$12
Dec-02	\$68 + LBP 13,000(Tax)	\$180 + LBP 13,000(Tax)	\$250-\$270	\$250-\$290	\$20-\$25	\$10-\$12
Dec-03	\$80 + LBP 13,000(Tax)	\$200 + LBP 13,000(Tax)	\$330-\$350	\$260-\$300	\$20-\$25	\$10-\$12
Dec-04	\$70	\$200	\$460-\$500	\$460-\$500	\$20-\$25	\$10-\$12
Dec-05	\$76	\$200	\$270-\$290	\$270-\$370	\$20-\$25	\$10-\$12
Dec-06	\$85	\$215	\$600	\$600	\$25-\$30	\$13
Dec-07	\$75	\$155	\$680	\$670	\$25-\$35	\$11-\$13
Apr-08	\$95-\$100	\$180-\$190	\$830	\$830	\$25-\$35	\$11-\$13

Source: Databank

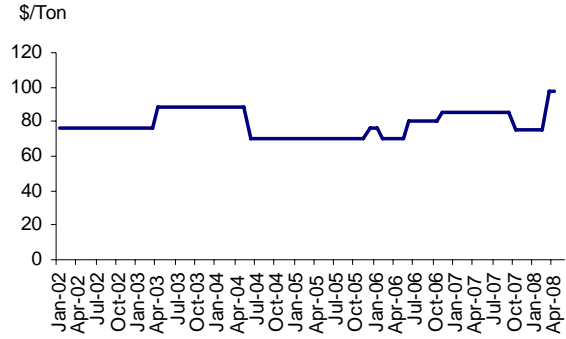


The following section depicts the evolution of the prices of steel, cement and labor since the year 2000 ^[53]:

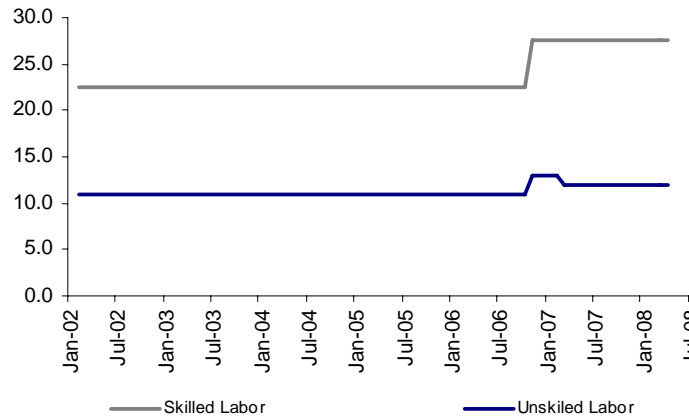
Evolution of Steel Price (\$/Ton)



Evolution of Cement Price (\$/Ton)

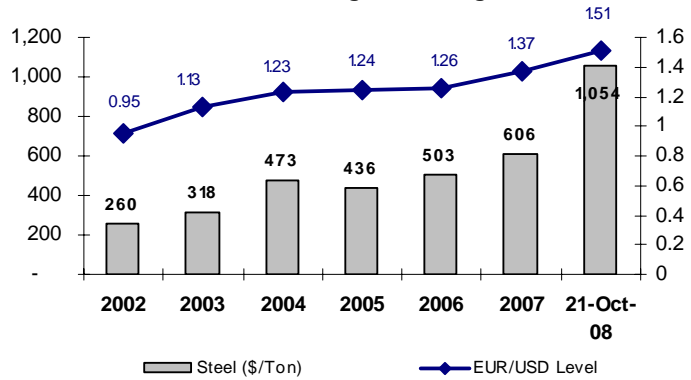


Skilled & Unskilled Labor (\$ Per Day)



The following analysis portrays the evolution in average steel prices against the Euro/USD average exchange rate ^[53]:

Evolution of Average Steel Prices vs Euro/USD Average Exchange Rate



The chart clearly demonstrates that steel prices move generally in tandem with the prevailing Euro level. The following table unveils the breakdown of construction material costs at current market prices ^[54]:

SUMMARY TABLE OF RECENT MATERIAL COSTS				
MATERIAL				
Blocks (Per Thousands)		Wood (Per Board)		Steel (Per Ton)
6 cm	\$300	Laté Beechwood		Steel reinforcing deformed barsall sizes-fy = 420 Mpa
10 cm	\$300	Brazilian (18 mm)	\$39	Steel reinforcing deformed barsall sizes-fy = 280 Mpa
15 cm	\$400	Okomi (16 mm)	\$40	Structural steel sections ST - 37
20 cm	\$600	Okomi (18 mm)	\$45	
25 cm	\$750			
Cement (Per Ton)		Sand & Pebbles (Per m³)		Glass (Per m²)
Portland Cement	\$115	In 18 m ³ tipping truck	\$14 - \$18	Float clear glass 6 mm
White Cement	\$200	In Pick-up truck	\$19 - \$20	Float clear glass 10 mm
Premixed Plaster	\$110			Float tinted reflective glass 6 mm
				Tempered glass 6 mm
				Tempered glass 8 mm
				Laminated glass 3+2+3 mm
Ready-Mixed Concrete (Per m³)		Water Heaters - Local (per No.)		Aluminum
In OPC Cement in Beirut		Electric 20 liters	\$45	Monoblock 10 cm color (per ton)
250 Kg/cm ² comp strength	\$66	Electric 50 liters	\$80	Monoblock 10 cm silver (per ton)
Ditto, 350 Kg/cm ²	\$80	Electric 80 liters	\$90	Monoblock 7.5 cm silver (per ton)
Extra for pump (per visit)	\$90	Electric 90 liters	\$95	Regular Façade 10 cm (per m ²)
		Electric & gas (80 liters)	\$180	Balcony rails 60-100 cm (per m ²)
		Electric & gas (100 liters)	\$190	
WORKS				
Labor Daily Rates				Excavation (Per m³)
Skilled	\$25 - \$35			Sandy Soil
Unskilled	\$11 - \$13			Semi-rocky soil
				Rocky terrain
Electrical Work (Per Point)				Concrete Excluding Steel (Per m³)
Super deluxe - Labor & material	\$18			Labor & Material
Deluxe - Labor & material	\$15			Labor only
Super deluxe - Labor only	\$9			
Deluxe - Labor only	\$8			

Source: Lebanon Opportunities - October 2008

d) Laws On Foreign Ownership and Low Tax Rates:

The new laws on foreign ownership lessened the stringent ownership rights of real estate properties in an attempt to revitalize real estate investments in Lebanon. Thus, recent modifications eradicated discrimination for property ownership between Arab and foreign nationals with lower real estate registration fees, from 6% for Lebanese and 16% for foreigners to 5% for both national and international investors ^[55].

e) Political Situation & Foreign Donors' Support:

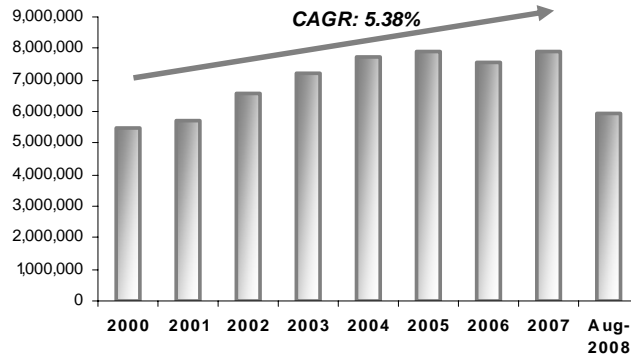
Although achieving a somewhat long-term political stability, Lebanon was always vulnerable to short-term political shocks with the most recent being the military clashes which preceded the Doha agreement. This situation refrained Arab investors from investing in Lebanon during periods of intensified political bickering. Nevertheless, the financial supports of international Donors during the Paris II and Paris III summits in December 2002 and January 2007, which secured some \$4.4 billion and \$7.6 billion respectively in soft loans pledges geared towards reform measures, spurred an atmosphere of confidence among Arab, national and international investors ^[55].

f) Demand versus Supply of Real Estate:

One of the major factors that ignited the latest real estate fury in Lebanon is the fact that the demand for real estate property in prime location was outpacing supply owing to the scarcity of land in Beirut. This is further supported by the relatively low vacancy rates coupled with the significant pre-launch selling activity. The following chart

reveals the evolution of construction permits during the period 2000 through August 2008 ^[56]:

Construction Permits In Square Meters



The analysis uncovers a 5.38% compounded annual growth rate in construction permits, reaching 7.92 million sqm in 2007, further strengthening the demand versus supply gap analysis ^[55].

g) Correlation with Regional and Global Financial Markets:

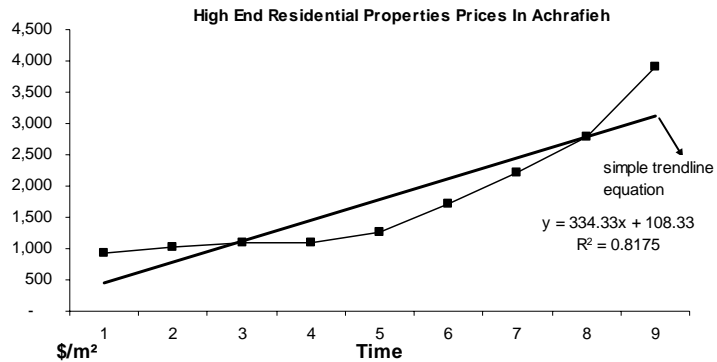
The real estate sector tends to be largely affected by the regional and global economic environments. The period extending between mid 2007 and mid 2008 saw regional financial and real estate markets advance to all time record highs. Concurrently, the Lebanese real estate market flourished, value of real estate transactions burgeoned and prices of real estate property hiked.

2. Regression Analysis

The following section strives to combine the major independent variables that are presumed to have a direct implication on the value of real estate in Lebanon. More particularly, a multiple regression analysis was constructed over the period 2000 through October 2008, with the average price of high end residential properties in Achrafieh as the dependant variable, against a mix of independent variables, namely the Euro /USD exchange rate, oil prices, USD lending rates, steel prices, cement price, unskilled labor wages, and the value of foreign direct investments in Lebanon (assuming the same FDI level in 2008 as in 2007) ^[55].

The input data for the period 2000 through October 2008, based on year average prices, is further outlined in the following table ^[55]:

T (in years)	Dependent Variable (Y)	Independent Variables X1 through X7						
	Average Prices of High End Residential Property in Achrafieh (\$/sqm)	Average Eur/USD Exchange Rate	Average Price Per Oil Barrel (\$)	Average USD Lending Rate (%)	Average Steel Prices (\$/Ton)	Cement Prices (\$/Ton)	Unskilled Labor(\$/Day)	FDI Level (\$ Million)
1	920	0.925	30.24	11.19	237.71	76.62	11	964
2	1,020	0.897	26.15	10.68	268.75	76.62	11	1451
3	1,100	0.946	25.85	9.98	259.58	76.62	11.00	1,336
4	1,100	1.130	30.96	9.02	317.92	85.62	11.00	2,997
5	1,260	1.230	41.18	8.28	472.50	77.76	11.00	1,993
6	1,720	1.244	56.3	8.17	436.04	70.50	11.00	2,791
7	2,220	1.260	66.18	8.47	502.92	77.17	11.38	2,321
8	2,780	1.370	71.52	8.31	1055.83	82.50	12.17	3,486
9	3,900	1.507	109.90	7.48	1054.00	86.25	12.00	3,486



The multiple regression analysis, at a 5% level of significance, asserts that all independent variables considered in the analysis and stated above, explain altogether a great deal (more than 99%) of the variation of average real estate prices per sqm in the Achrafieh region.

The regression equation that can be extracted from the regression analysis is the following:

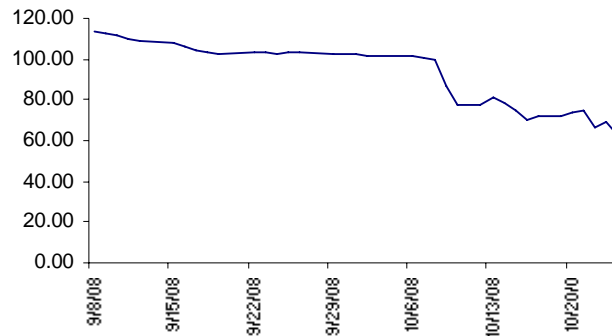
$$Y = -1,094.67 - (3,459.28 \times \text{Euro/USD average exchange rate}) + (35.85 \times \text{Average Oil barrel price}) - (321.42 \times \text{Average USD lending rate}) + (0.206 \times \text{Average steel price per ton}) + (12.82 \times \text{Average cement price per ton}) + (606.01 \times \text{Unskilled labor Dollar wage per day}) + (0.020 \times \text{FDI level in USD millions})$$

In the above equation, Y denotes the average high-end residential prices per sqm in the Achrafieh region.

3. Impact of the Global Turmoil on Lebanon's Real Estate Sector

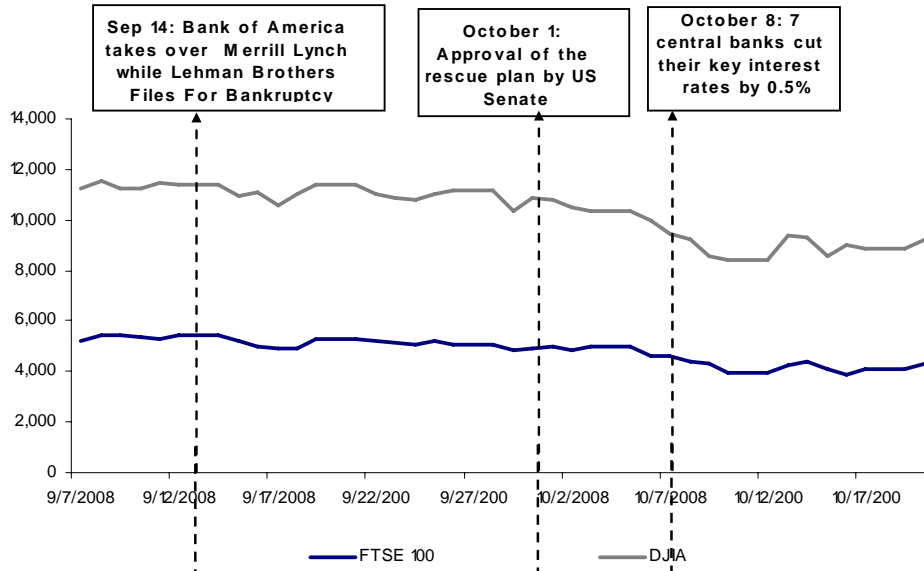
The real estate sector in Lebanon tends to be largely affected by the regional and global economic environment. The period extending between mid 2007 and mid 2008 saw regional financial and real estate markets advance to all time record highs. Concurrently, the Lebanese and regional real estate markets flourished, value of real estate transactions burgeoned and prices of real estate properties gained a healthy momentum. In the second half of 2008, however, the U.S. sub prime crisis started to transform into a global credit crisis with banking giants going bankrupt and the crisis propagating worldwide. Although, several global (American and European) financial bailout plans worth hundreds of billions of U.S. Dollars were attempted, global and regional stock market indices pursued their downward plunge. Gulf stock markets shed \$160 billion of their total value during the first couple of weeks according to the Washington Post with the Saudi All Share Index (TASI) dwindling by 17% and the Dubai Stock Market posting a 22.5% loss during a short period. Concurrently, the Credit Libanais Construction Sector Stock Index (CLCI) followed suit, tumbling by 14.14% during a single week. The crisis also laid its burden on oil prices, with global demand shrinking, and short selling contracts on commodities in general building momentum. Consequently, oil prices dipped below the \$70 mark in late October after breaking the \$147 mark a couple of months ago ^[57].

**Evolution of Crude Oil Prices (\$/Barrel)
Through The Financial Crisis**

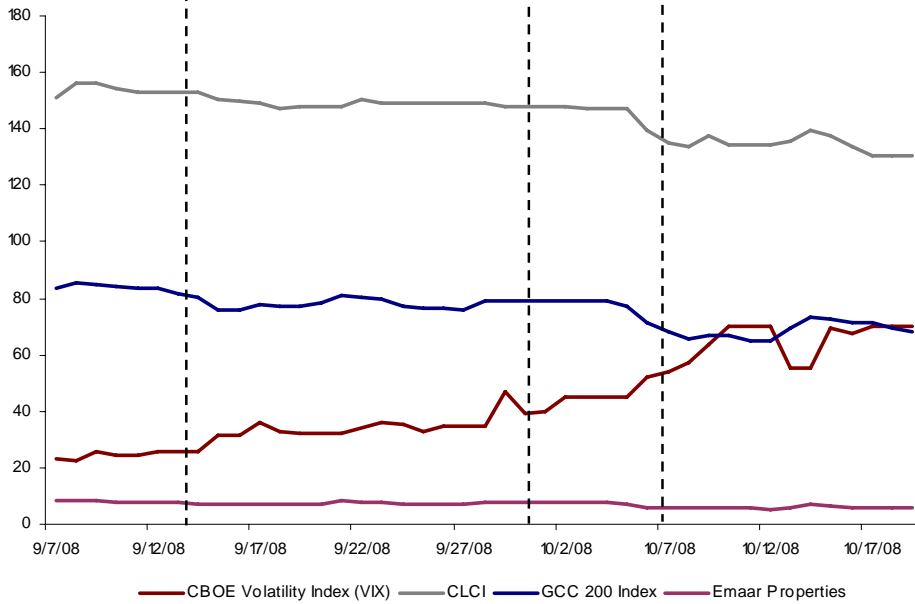


The following section sketches the performance of major stock market indices against major volatility indices along with the behavior of Arab indices since early September 2008 ^[57]:

Evolution of World Indices During The Financial Crisis



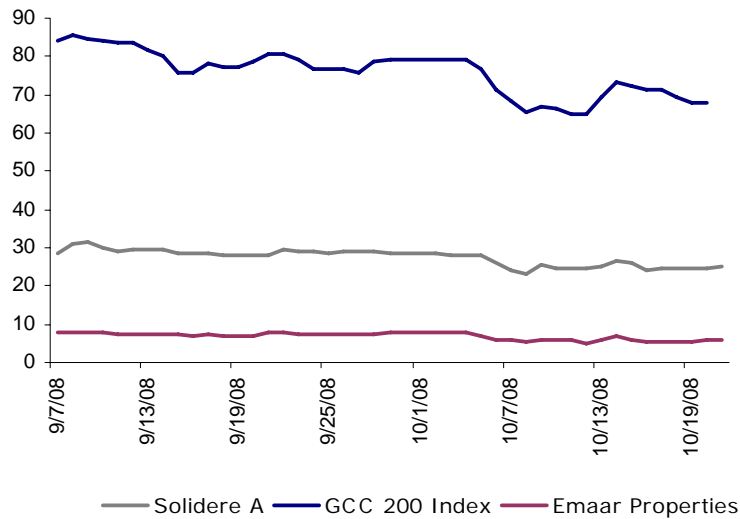
Evolution Of Local & Regional Stock Market Indices



Source: Credit Libanais Research Unit

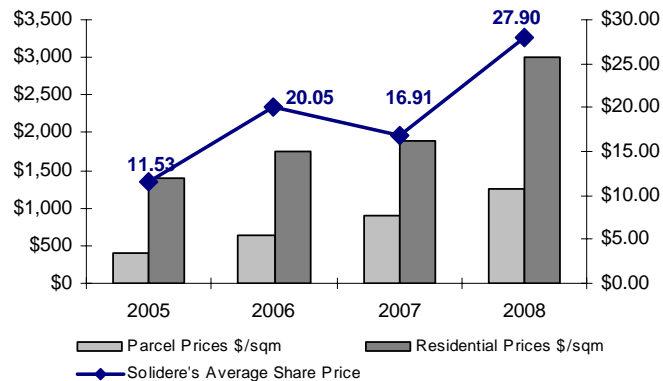
It is obvious that the global crisis has dragged Arab stock markets in tandem with international markets. The above graphical representation portrays as well the positive correlation of the Credit Libanais Construction Sector Stock Index (CLCI) with that of the GCC 200 Index, with a correlation coefficient of 93.94% through October 21, 2008. When comparing the performance of the CLCI with the performance of Emaar Properties, a notorious UAE based Real Estate Development Company, we can observe that the correlation coefficient firms at 92.11% during the period of the global crisis through October 21, 2008.

Solidere vs GCC Index



The above chart clearly shows that Solidere "A" share drop was smoother and flatter than the slump exhibited by the GCC 200 index and the Emaar stock price, a renowned Saudi real estate development company. Further analysis reveals that the Solidere "A" stock dipped by 13.21% during the financial turmoil period covered during the publication of the study, from \$28.68 per share at September 7, 2008 to \$24.89 at October 21, 2008, compared with a 24.91% slump in the price of Emaar properties to \$6.06 throughout the same period. It is worth noting that the correlation between the two stocks was also on the high side during the global turmoil period (starting September 1, 2008), at 93.60%.

Evolution of Average Property Prices In Achrafieh vs Solidere's Average Share Price



The foregoing chart compares the development of the Solidere share price during the past three years with the evolution of real estate residential and parcel prices in Achrafieh over the same period. Going through the chart we can clearly observe that residential real estate prices and Solidere's average share price move generally in lockstep, despite the minor adjustment of Solidere's average price in 2007. When conducting further statistical analysis, we can observe the high positive correlation (93.97%) between the two variables.

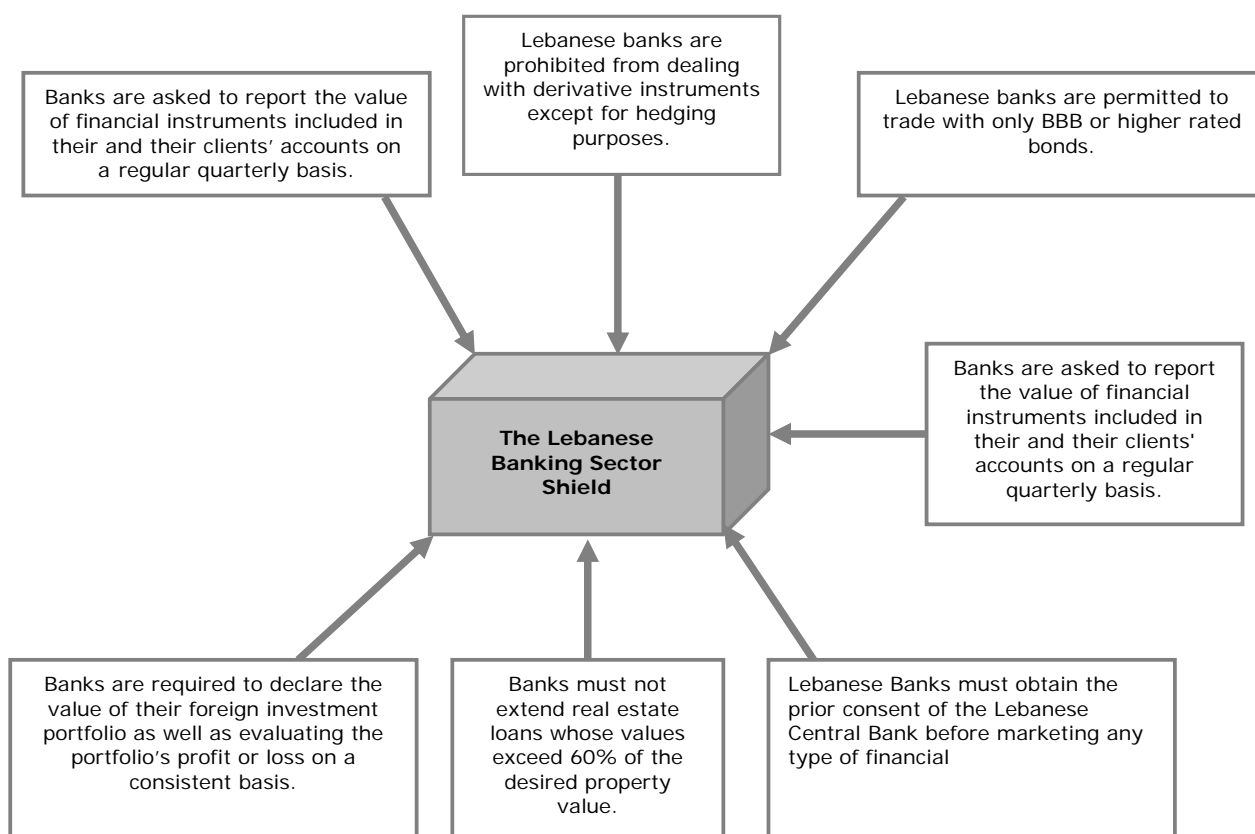
However, when conducting the analysis on a daily basis, assuming residential real estate prices remained flat throughout the year, the correlation coefficient drops significantly to 79.31%. This assumption is flawed, nevertheless, as real estate prices are much more likely to increase gradually through the year rather than posting a sharp increase at year end.

Consequently, we can presume that the Solidere share price is probably a good indicator of price trends in the real estate sector in Lebanon and a mirror image of sector volatility. Despite the existence of a high correlation between the average share price of Solidere and real estate prices in Lebanon on the one hand coupled with the sizeable correlation between Solidere's average share price and its Arab counterparts, we believe that the prevailing financial crisis will have limited effects on the Lebanese real estate sector. We expect Lebanon to remain a safe haven for Arab and foreign investors along with Lebanese expatriates, thanks to its sound banking system coupled with an effective monetary policy that infuses an atmosphere of confidence among investors.

This owes in the first place to the strong resiliency displayed by Lebanese banks to the latest financial chaos that plagued several international banking systems across the globe and stirred a wave of banking bankruptcy filings. Said resilience came as a fruitful result of the abidance of Lebanese banks by a series of circulars promulgated by the Lebanese Central Bank that efficiently confined the allowable scope of investments away from exotic and toxic financial instruments. The following section lists the set of circulars put into effect by the Lebanese Central Bank that mitigated the risk of the crisis seriously contaminating the Lebanese Banking Sector ^[58]:

- **Circular number 27 dated 28/6/1996:** Lebanese banks are prohibited from dealing with derivative instruments except for hedging purposes.
- **Circular number 171 dated 23/6/2008:** Lebanese banks are permitted to trade with only BBB or higher rated bonds with the trading value capped at 50% of the Bank's capital. Furthermore, banks are allowed to participate only in capital guaranteed "A rated or higher" structured products up to 25% of the bank's capital.
- **Circular number 170 dated 23/6/2008:** Lebanese banks must obtain the prior consent of the Lebanese Central Bank before marketing any type of financial instruments.
- **Circular number 177 dated 21/7/2008:** Banks must not extend real estate loans whose values exceed 60% of the desired property or real estate project under construction. Concurrently, banks are prohibited from practicing real estate brokerage or real estate arbitrage activities.

- **Memo 13/2007 in 21/7/2008:** Banks are required to report the value of their foreign investment portfolios as well as evaluating the respective portfolio's profits or losses on a regular and consistent basis.
- **Memo 22/2008 in 15/9/2008:** Banks are asked to report the value of financial instruments' included on their books and those of their clients' accounts on a regular quarterly basis.
- **Memo 23/2008 in 15/9/2008:** Banks are also required to report the value of their investments in any Lehman Brothers' related products.



Nevertheless, the global financial crisis compelled large international companies to slash thousands of jobs, namely in the banking industry, in an endeavor to cut expenses and tighten their depleted budgets. In the aggregate and according to Bloomberg, total job cuts in the financial sector reached 120,910 through September 2008, of which around 84,000 in the Americas and 36,000 in Europe. Unquestionably, this global wave of job cuts stroke some Lebanese expatriates who have recently acquired an apartment or a piece of land in Lebanon betting on the upside of the sector. This will certainly put some downward pressure on real estate prices in Lebanon in the event said Lebanese resort to a selling spree to liquidate their investment portfolios, including their real estate positions.

Annexes

Annex 1 – Real Estate Indicators

Key Figures	2004	2005	2006	2007	2008
<i>Real Estate Indicators</i>					
Value of Real Estate Transactions (USD Millions)	2,884	3,296	3,005	4,175	3,168 (2)
Volume of Real Estate Transactions	59,082	58,789	58,000	77,090	85,297 (2)
Average Value of Real Estate Transactions (USD Thousands)	48.81	56.06	51.81	54.16	37.14 (2)
Cement Deliveries (Thousands of Tons)	2,729	3,040	3,424	3,946	1,976(1)
Construction Permits (Thousands of Sqm)	7,719	7,928	7,532	7,919	7214 (3)
Construction Permits (Number)	11,258	11,709	9,291	9,326	7718 (3)

(1) Up to June 2008 (2) Up to July 2008 (3) Up to September 2008

Key Figures	2004	2005	2006	2007	2008
<i>Construction Costs</i>					
Portland Cement (\$/Ton)	\$77.76	\$70.50	\$77.17	\$82.50	\$93.75 (3)
Steel (\$/Ton)	\$456.66	\$463.33	\$529.58	\$597.50	\$1,054 (3)
Unskilled Labour (\$/Day)	\$11.00	\$11.00	\$11.50	\$12.16	\$12 (1)
Skilled Labour (\$/Day)	\$22.50	\$22.50	\$23.54	\$26.88	\$30 (1)
USD Lending Rates	7.98%	8.38%	8.55%	8.02%	7.17% (2)

(1) Up to April 2008 (2) At End of August 2008 (3) Up to October 2008

Key Figures	2004	2005	2006	2007	2008
<i>Economy</i>					
Average Oil Price / barrel	\$41.30	\$56.50	\$66.40	\$71.80	\$111.06 (4)
Average Euro / USD Exchange Rate	\$1.247	\$1.245	\$1.256	\$1.371	\$1.517 (4)
FDI (USD Millions)	1,993	2,791	2,321	3,486	N.A.
M2 Money Supply (USD Billions)	17.23	16.23	15.57	16.47	21.93 (3)
GDP (USD Millions)	21,465	21,558	22,759	24,640	24,300
GDP Per Capita (USD)	5,949	5,898	6,146	6,569	6,478

(1) Up to June 2008 (2) Up to July 2008 (3) Up to September 2008 (4) through October 21, 2008

Key Figures	2005	2006	2007	2008
<i>Real Estate Prices</i>				
M ² Average Residential Price in Achrafieh	\$1,400	\$1,750	\$1,900	\$3,000
M ² Average Residential Price in Clemenceau	\$1,500	\$1,800	\$2,100	\$2,500
M ² Average Residential Price in Wadi Bou Jmil	\$2,500	\$3,500	\$4,000	\$5,250
M ² Average Residential Price in Solidere (Marina Area)	\$3,000	\$4,000	\$5,000	\$6,250
M ² Average Residential Price on Bliss Street	\$2,000	\$2,500	\$3,000	\$4,000
M ² Average Land Price in Clemenceau	\$500	\$750	\$950	\$1,200
M ² Average Land Price in Wadi Bou Jmil	\$1,100	\$1,200	\$1,500	\$1,600
M ² Average Land Price in Solidere (Marina Area)	\$1,500	\$1,800	\$2,200	\$3,000
M ² Average Land Price on Bliss Street	\$400	\$650	\$900	\$1,250
M ² Average Land Price in Achrafieh	\$500	\$800	\$1,250	\$2,250

(1) Up to June 2008 (2) Up to July 2008 (3) Up to September 2008

Key Trends & Ratios	2004	2005	2006	2007	2008
FDI / Value of Real Estate Transactions	69.11%	84.68%	77.24%	83.49%	N.A.
Real Estate Investment Share of Total FDI	N.A.	N.A.	55.00%	60.00%	N.A.
Arab FDI Share of Total FDI	N.A.	N.A.	97.67%	95.90%	N.A.
Value of Real Estate Transactions / GDP	13.43%	15.29%	13.20%	16.94%	13.04%
Real Estate Transaction Values/ M ² of Construction Permits	\$374	\$438	\$417	\$534	\$619
Real Estate Transaction Values In Beirut / M ² of Construction Permits	\$946	\$849	\$741	\$973	\$1,248
Percentage Change in Average Crude Oil Price	32.80%	36.80%	17.52%	8.13%	54.68%
Percentage Change in GDP per Capita	8.02%	-0.86%	4.20%	6.88%	N.A.
Percentage Change in Average M ² Residential Price in Achrafieh	14.71%	38.80%	28.05%	24.56%	42.09%
Percentage Change in Average M ² Land Price in Achrafieh	N.A.	N.A.	60.00%	56.25%	80.00%
Percentage Change in Steel Prices	39.80%	1.46%	14.30%	12.83%	76.40%
Percentage Change in Cement Prices	-9.18%	-9.34%	9.46%	6.91%	13.64%
Percentage Change in Skilled Labor Cost	0.00%	0.00%	4.62%	14.19%	11.61%
Percentage Change in Euro / USD Exchange Rate	10.35%	-0.16%	0.90%	9.11%	10.67%

Annex 2 – Macroeconomic Indicators

Lebanon's Economic and Financial Sector Indicators						
	2003	2004	2005	2006	2007	2008*
MACROECONOMIC INDICATORS						
GDP (\$ Million)	19,802	21,465	21,558	22,759	24,640	
Real GDP Growth Rate	4.10%	7.50%	1.10%	0.00%	4.00%	
GDP Per Capita (\$)	5,559	5,949	5,898	6,146	6,569	
Net Foreign Direct Investment (\$ Million)	2,977	1,993	2,791	2,321.0	3,486.0	
INDUSTRY						
Industrial Exports (\$ Million)	1,438	1,640	1,667	1,738	2,361	1,750 ⁽²⁾
Import of Industrial Machinery (\$ Million)	109	142	137	130	162.61	100.81 ⁽²⁾
TOURISM						
Arab Tourists Arrivals	438,203	545,150	451,430	456,889	400,082	395,050 ⁽⁴⁾
Africa Tourists Arrivals	22,398	20,180	16,160	20,541	48,071	26,265 ⁽⁴⁾
U.S. Tourists Arrivals	120,429	152,075	136,907	129,274	121,596	136,286 ⁽⁴⁾
Asia Tourists Arrivals	134,164	173,897	177,809	164,053	137,832	132,453 ⁽⁴⁾
Europe Tourists Arrivals	266,691	338,475	316,083	267,142	277,337	261,271 ⁽⁴⁾
Others Tourists Arrivals	66,755	48,692	41,135	33,659	32,154	32,260 ⁽⁴⁾
Total Number of Tourists	1,015,793	1,278,469	1,139,524	1,062,635	1,017,072	690,180
CONSTRUCTION						
Construction Permits (000 sqm)	8,860	9,156	8,254	9,145	7,919	7,214 ⁽⁴⁾
Cement Delivery (000 tons)	2,704	2,729	3,040	3,423	3,944	1,976 ⁽¹⁾
TRANSPORTATION						
Beirut Port Activity						
Freight Activity(000 Tons)	4,767	5,060	4,475	4,226		4,425 ⁽⁴⁾
Number of Vessels	2,333	2,366	2,230	1,832		1,544 ⁽⁴⁾
Number of Containers	115,034	137,492	127,656	119,978		689,096 ⁽⁴⁾
Beirut Airport Activity						
Number of Planes	34,469	39,023	38,197	32,980	39,050	---
Number of Passengers	2,718,000	3,200,000	3,180,000	2,739,606	3,408,834	2,649,872 ⁽⁴⁾
FOREIGN TRADE						
Imports (\$ Million)	7,170	9,400	9,342	9,399	11,817	8,958 ⁽²⁾
Exports (\$ Million)	1,524	1,747	1,880	2,281	2,815	2,054 ⁽²⁾
Trade Balance (\$ Million)	(5,644)	(7,650)	(7,459)	(7,118)	(9,002)	(6,904) ⁽²⁾
Exports/Imports	21.30%	18.60%	20.10%	24.27%	23.83%	22.93%
BALANCE OF PAYMENT						
Balance of Payment (\$ Million)	3,386	169	747	2,795	2,036	2,032 ⁽³⁾
Foreign Currency Reserves (\$ Billion)	12.18	11.48	11.66	12.97	12.39	18.39 ⁽⁵⁾
PUBLIC FINANCE						
Government Expenditures (LBP Billion)	10,592	10,540	10,203	11,877	12,587	7,190 ⁽¹⁾
Government Revenues (LBP Billion)	6,656	7,514	7,405	7,295	8,749	5,200 ⁽¹⁾
Budget Deficit	(3,936)	(3,026)	(2,798)	(4,582)	(3,838)	(1,990) ⁽¹⁾
Deficit / Total Expenditures	37.16%	28.71%	27.42%	38.58%	30.49%	27.68%
Public Debt (\$ Billion)	33.36	33.85	38.48	37.41	39	
Debt/GDP	168.47%	167.00%	179.00%	164.37%	171.00%	
MONETARY AGGREGATES & INFLATION						
M1 (LBP Billion)	2,847	3,031	2,952	3,322	3,578	3,619 ⁽⁶⁾
M2 (LBP Billion)	26,234	25,978	24,465	23,477	24,831	33,899 ⁽⁶⁾
M3 (LBP Billion)	64,694	71,310	74,446	80,244	90,197	100,220 ⁽⁶⁾
M4 (LBP Billion)	70,297	74,810	77,771	84,545	95,810	105,986 ⁽⁶⁾
Consumer Price Index	136.75	102.48	99.63	107.24	113.59	123.36 ⁽³⁾
CPI (%)	3.00%	1.70%	-2.60%	5.60%	9.30%	6.29 ⁽¹⁾
BANKING SYSTEM						
Number of Commercial Banks	52	53	54	54	54	---
Number of Branches	809	802	926	973	1,049	---
Number of Employees	15,714	16,281	17,480	18,371	21,436	---
Total Assets (LBP Billion)	90,623	102,187	106,104	114,840	123,999	136,726 ⁽³⁾
Total Deposits (LBP Billion)	73,455	82,691	85,906	97,309	102,598	120,334 ⁽³⁾
Deposits by Private Sector (LBP Billion)	75,852	86,503	89,169	95,730	101,435	119,131 ⁽³⁾
Deposits by Public Sector (LBP Billion)	1,325	1,480	1,705	1,579	1,163	1,203 ⁽³⁾
Total Loans (LBP Billion)	23,758	25,364	26,109	57,123	59,185	68,054 ⁽³⁾
Loans to Private Sector (LBP Billion)	22,836	24,020	24,467	25,930	26,762	31,471 ⁽³⁾
Loans to Public Sector (LBP Billion)	21,006	24,155	26,697	31,193	32,423	36,583 ⁽³⁾
Total Shareholders Equity (USD Million)	4,529.53	4,941.28	6,171.55	7,771.48	---	---
Customer Loans/Customer Deposits	56.81%	54.75%	56.30%	58.70%	57.69%	56.55%
Customer Loans/Total Assets	48.38%	47.14%	48.26%	49.74%	47.73%	49.77%
ROE	11.14%	10.22%	10.71%	10.98%	11.83%	---
ROA	0.75%	0.68%	0.77%	0.91%	1.02%	---
Exchange Rate (LBP to USD)	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50	1,507.50

(* (1) As at End of June 2008 - (2) As at End of July 2008 - (3) As at End of August 2008 - (4) As At End Of September 2008
(5) As at Mid of October 2008 - (6) As At End of October 16, 2008

CONTACTS

RESEARCH UNIT Sofil Center – Beirut - Lebanon
TEL: 01-200028/9 Fax: 01-326786

PREPARED BY	Fadlo I. Choueiri, CFA	fchoueiri@creditlibanais.com.lb	961-1-200 028	EXT: 235
	Reine Macaron	rmacaron@creditlibanais.com.lb	961-1-200 028	EXT. 232
	Jad Abi Haidar	jabihaidar@creditlibanais.com.lb	961-1-200 028	EXT. 251
