

## **Real Estate market and economic report of the week.**

We reconfirm our confidence that the real estate market is picking up again slowly in Beirut and the suburbs; and active inquiries for offices and apartments are being noticed lately.

Landlords with no financial commitments are resisting reducing their prices further and betting on better economy conditions.

Offices in Beirut for instance, fall into three main categories: The big multinational firms preferring to occupy spaces between 1500m<sup>2</sup> and 3000m<sup>2</sup>; the medium sized firms settle for offices between 350m<sup>2</sup> and 1500m<sup>2</sup>; while the majority of Lebanese companies operate in offices around 200m<sup>2</sup> and 80m<sup>2</sup>.

Foreign companies with no definite long-term plan and local businesses which have yet to establish themselves would seek to rent with the option to purchase at the end of the year's rent or at the three year's contract and considering all or part of the paid rent as a down payment on a purchase agreement.

Landlords would prefer to sell, and will then agree to lease for rent when they fail to secure buyers in order to generate some revenue.

### **Searching for easy & known address.**

All reputable merchants and businessmen seek to have an office in Beirut though they can get offices in the suburb at cheaper prices.

Most banks, Insurance companies, Hotels, Restaurants, Financial institutions, etc... with prestigious standings are making arrangements to start building and moving into Beirut Center District, or to neighboring successful areas such as: Tabaris, Charles Helou Avenue, Sassine, Sioufi, Hamra, Verdun which proved to be as successful commercial centers, and where the prices are still lower.

### **Large-scale developments are taking over the small shops, and traditional boutiques.**

Lebanon retail market has already jumped into the large supermarkets, department stores and shopping malls.

From the most successful projects in this category, we can cite: Spinneys-Dbayeh, ABC-Dbayeh, hypermarket Bou Khalil, BHV/Monoprix Bir Hassan and the newly opened branch in Achrafieh replacing Abella.

ABC have arranged with the Greek Orthodox Church a leasing terms for its land in Achrafieh for 25 years connecting Mar Mitr to Zahrat El Ahsan and engulfing Sassine market place to build an International standard department store worth about \$ 60 million.

Spinneys as well are planning for a new supermarket in Mar Mitr (Achrafieh) scheduled to open early next summer.

All the above giant establishments are doing well without noticeable competition from smaller retailers – which made them decide to move into the densely Achrafieh area with such sizable large investments.

US Government welcomes Lebanon's efforts to combat money laundering.

The central bank of Lebanon's governor undertook significant measures to fight money laundering by devising a law proposal that sticks at the same time to banking secrecy with a special clause allowing banking secrecy to be exceptionally lifted on the concerned entities in the case of clear evidence of involvement in money laundering operations, while leaving for the judicial system to take the necessary steps at the proper timing.

The new law wiped out all such worries thus giving credibility to the government as well to the international financial monetary system. These policies were welcomed by the US government on behalf of its ambassador in Lebanon, who officially declared and commented that his government supports the Lebanese government newly taken steps in the realm of combating money laundering. The US perceived favorably Lebanon's abiding by International standards hinting that their application would improve investors' confidence in the country.

## **Key Indicators.**

Tourism activity is up by 11% over the year 2000. Figures published by the Ministry of Tourism revealed that the number of tourists in Nov. 2000 reached 52,955 jumping by 40% from the corresponding month of the year 1999 and rising by 6.4% from the previous month.

The cumulative number of tourists over the first eleven months reached 699,436 but still much lower than the anticipated figure. The distribution of tourists by country was as follows:

Arab countries: leading	41%
Europe	31%
Americas	12%
Asia	10%
Oceania	4%
Africa	2%

The shopping month which is being set between Feb. 1 and March 15, 2001. Within this period the travelling fares, restaurants, Hotels and shopping goods' prices are cut up to 50% and all other charges and visas restrictions are lifted by the government. It is expected that the market economic condition will witness a serious improvement accompanied by incoming flow of tourists.

### **A plan to launch privatization of most losing public sectors.**

A national plan to save, develop and launch the privatization of the water & electricity sectors, which are awaiting cabinet approval, is expected to raise production up to 2000 MW instead of the currently available 1250 MW, thereby generating per annum, that is equal to the yearly deficit incurred by Electricity du Liban (EDL).

Other privatization schemes for the MEA (Middle East Airlines), communications and other entities run by the public sector are under close scrutiny by the Cabinet in order to transform them into more money making the country's businesses, and put an end to the snow ball effect of the financial deficit.

### **Market Highlights:**

- "**Cupole Groups**" has announced plans for a US \$ 20 million expansion of its retail operations. The Group will develop five new **Spinneys** outlets in Lebanon over the next two years in chosen regions: **Jounieh, Tripoli, Damascus road, Jnah & Saïda.**

- More than 1,000 new restaurants are predicted in the next three years at the cost of US \$ 1 billion.
- 14 new hotel developments & resorts (over 3545 rooms) are planned for the 3 – 5 years.
- Located at the heart of a regional boom in tourism, Lebanon's strategic position and strong ties with neighboring Arab countries combined with its growing tourism market makes it the ideal location for the international Travel exchange in the middle East.
- More than US 1 billion will be invested in the construction of new hotels and the renovation of existing ones in Beirut alone, and a European financed loan worth 30 million Euros has been granted to reconstruct hotels outside Beirut.
- The Ministry of Tourism – at last has seen fit to implement the recommendations of an international study, which will rate Lebanese hotels in line with world standards. The system will put a premium on infrastructure, amenities and quality, and will follow up by requiring regular inspection for all rated establishments. This move is sure to offer a welcome measure of security and confidence to tourists considering Lebanon as a destination as well as to business people seeking to invest in the sector.
- The council of Ministers' decision to remove restrictions on international airline carriers, and implementing drastic custom taxes cuts on imported goods will boost tourism and ultimately the economic situation.

The global economic performance was still showing a downturn during the year 2000 end.

In the same trend: Construction, transportation, energy and foreign trade sectors are still continuing their downward course. The decline in activity is attributed to weak demand, which is due to "wait-and-see" expectation policy. An improvement in the political situation is the region would constitute a major guarantee factor for positive outbreak and expansion of economic activities in various sectors.

## Conclusion.

We are still living in the era of "**Buyers' market**" as the construction and real estate activities continued their downtrend as confirmed by: the area of construction permits; the volume of cement deliveries; and the still 200,000 vacant apartments.

Investors in general and the Lebanese emigrants in particular are invited to acquire today their permanent homes at competitive and deal prices which soon will be considered as their best investment and to their children afterwards.

In addition to the material gain, the Lebanese who is strongly attached to his mother country; he would be contributing to the development, betterment of economy and prosperity of his beloved homeland.

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Beirut - April 2001