

**“No Investment means no Growth”
ONLY PEACE and Stability can win back the confidence**

A wise Lebanese politician once said during the civil war: **“Give us security and peace ... and take wonders from us”**.

Now in 2006, we are still seeking this long awaited security and peace to come. With the UN resolution 1701 along with sincere Lebanese democratic dialogue, we **thought we** may achieve our strategic goal: peaceful life and prosperity.

In spite of all the obstacles and political turmoil, wars, etc... which have been moving side by side with our day to day activities, for more than three decades – we are still struggling with nails and teeth to surmount all the evil forces that have been surrounding us from all sides.

Thanks to our economic system based on the entrepreneurship and vitality of the Lebanese private sector; the banking system; the Real Estate; and tourism. Lebanon and once again due to its multiple sound and resilient infrastructure in addition to the unprecedented international community and Arab friends uprising to support Lebanon with generous contributions and donations to finance the reconstruction of the July war destructions – Lebanon will soon be able to stand on its own feet to replay the constructive role it has always played thru history.

1 - Lebanese Banking System:

The bank secrecy is strictly enforced and there are no restrictions on foreign exchange, capital movement, or foreign investment.

The consolidated balance sheet of the banking sector reported total assets equivalent to US\$ 73.2 billion at end of July 2006 – and foreign currency deposits out of total deposits increased from 72.8% to 74.8%.

The deposits dollarization in the Lebanese banks had a very positive and resilient impact to absorb the bad effects of July war and a stabilization factor on the national currency.

The International Monetary Fund (IMF) reviewed the economic and financial impact of 12 July 2006 war. The IMF stated that while GDF in Lebanon was previously projected to grow by 5% in 2006, it is now forecasted to shrink to -5% due to the impact of the Israeli sea and air blockade.

The Lebanese banking system is sound by all (International) world banking standards. It enjoys a high capital adequacy ratio of about 22 percent – whilst the ratio set by Basel I is only 8 percent.

The Lebanese banking sector, encouraged by the Central Bank, continues to consolidate over 25 bank mergers which have taken place in the past decade and additional mergers are still anticipated.

This portrait of sound banking sector gives to the local and foreign investor a peace of mind – and encourages others to increase the inflow of capital... which ultimately would lead to more construction, development and economic prosperity.

Becoming a hub for funds:

Based on the strength of banking system, Beirut can become the bank center of the Middle East. It has all the ingredients: its banks and their impressive fund-raising capabilities, the know how of its expatriates and local specialists and its unique East-West culture.

Funds would also be considered to be the key for the development and diversification of revenues for local banks.

With the Basel II capital regulations to be applied in Lebanon starting in 2008, and which require banks to have healthy and recurrent revenues in order to increase capital through the injection of profits into capital. In this context, the timing of the development of the fund management industry cannot be more appropriate.

2 - Real Estate Sector:

The features and particularities of Lebanon in respect to its geographical, historical and cultural background... its open outlook to all civilizations, education... the human element, the natural warmth and hospitality of the Lebanese.... The service oriented factor... etc... make of Lebanon a UNIQUE destination, where particularly every expatriate and Gulf national dreams and seeks to have a second home in Lebanon.

Though the total Lebanese population is 3.5 million, the future projection for Lebanon should accommodate a big share of the 14 million people of Lebanese descent and a significant share of our Arab Gulf friends, expatriates and others.

The Lebanese population is still asked to squeeze itself further to give more room in its limited territory of 10452 km².

That's why the prices of land are expected to reach sky high as the time goes by.

For instance, in January 2002, the normal average land prices in Ain Mreisseh were not supposed to exceed US\$ 3500/m² – but in reality and after the Sept. 11, 2001 incident in USA, owners used to ask for more up to US\$ 6000/m² for properties on the sea front.

Nowadays, the prices reached US\$ 8000/m² and the trend towards higher prices still progressing – and apartments are sold for between US\$ 4000/m² and US\$ 5400/m², their high price being the reflection of the expensive land in the area – and the least deluxe flats are sold for US\$ 3000/m².

What steps to be taken in order to win back the investor confidence?

The Real Estate market hinges on an improved political and a relaxed peaceful atmosphere. While buyers are seeking to snatch up, properties at bargain prices, landlords in general are still sticking to their pre-war prices despite the gloomy and uncertainty image of the political situation – hoping that by mid 2007 another miracle will bring back peace and tranquility despite the stubborn and irrational behavior of our politicians.

What are the predictions for a recovery?

The intermingling of conflicting interests of the Big Powers and some of the regional countries, in addition to the Israeli-Palestinian dispute and their direct heavy impact on the various factions of the Lebanese society - are dragging the country into unstable, helpless and out of balance situation.

On the light of the above description of the political convergent attitudes, no one is expecting miracles but at least an understanding or a phase of gradual release of tension so that the normal life will be again resumed.

Since the chain of assassinations of late H.E Harriri in Feb. 2005 and lately with H.E Pierre Gemayel in Nov. 2006; and now with an open strike of the oppositions; the political unrest is building up on the Lebanese arena and hindering the exceptional and promising progress which was much underway prior to the war outbreak; but now is hesitant and nervous following the "wait and see" attitude.

Despite the current moods, nowadays either “optimistic or pessimistic” which are almost equally shared among the investors and Lebanese population - all have the full and strong confidence that Lebanon will survive again as it has always done thru its old and modern history.

Within days from the cessation of the 12 July 2006 Israeli war and hostilities – most Arab and Lebanese investors reaffirmed their interest in properties they were in the process of purchasing before the outbreak of war and the selling prices remained at pre-war levels.

The encouraging factors which are contributing to the revival of the economy in general and the real estate market in particular are:

- The strong demand on real estate and unshaken confidence of the Lebanese and Gulf Arab investors in this country.
- Sound banking system.
- The increasing wealth of Lebanese expatriates.
- The high rise in oil prices, which is translated in the inflow of money and investment.
- The unprecedented care and attention of the International community to protect the tiny Lebanon’s freedom, independence and sovereignty.

Realistically, we should allow about six months more or less from date or by summer 2007 for a noticeable recovery of the market – hoping by that time the political and security issues will be gradually cleared and stabilized – unless an unpredicted political deterioration might prolong the peaceful settlement a bit further.

We repeat that the attractive features and particularities of Lebanon; and natural Lebanese warm, hospitality and way of life make of Lebanon a pleasant and attractive destination and a future second home to most Arab Gulf investors, other nationalities and Lebanese immigrants.

All are welcome to invest and live in Lebanon. “First come, first served” and the combined factors of increasing demand for real estate and profitability of investment, Lebanon is bound to witness a big boom in the real estate sector, touristic projects, etc... in the months to come... despite the crazy mood among the different political factions now prevailing in the region and in the country.

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