

Lebanon: Good News of a Coming Relief

The Lebanese experienced tragic events throughout the past three decades. In February 14, we salute the late P.M. Rafik Hariri and all the martyrs of St. Georges detonations and other assassinations.

At that time many investors expected the worst to come: Economic collapse, horrific inflation, political deterioration, monetary disorder...etc. Instead Lebanon carried on; the Syrians army withdrew, wide international support and UN resolutions endorsed Lebanon, the monetary system recorded promising figures, the political system was unaffected and last but not the least; trust was not lost as investments were back and better than before.

Market Correction?

Is it market correction? Hopefully it is so.

Today, prices of some apartments in Down Town Beirut have reached more US \$5000 /m² while the built-up area in Solidere exceeded US \$2000 /m². The availability of prime plots in Greater Beirut Area is decreasing tremendously, whereas the total investment in the real estate market exceeded 7.5 Billion USD it is still below the capacity of the market. Add to that many international firms like the Swedish Ericsson, are showing indications to adopt Beirut as their regional hub of operations in the MENA region.

Regional and local Status

Lebanon is not in a state of war, but the current situation is even worse. In Ain Alak – Metn, three civilians were killed in two bus explosions, the international community immediately condemned the accident and the UN Security Council decided to list this case under the UN investigation delegation. Hundreds of innocent civilians are killed every day in similar bombings assaults worldwide, Reactions are only the headlines of the media coverage. Lebanon is so important to the international community, the coexistence of the Lebanese society and its democratic structure is well advanced than most of the regimes in the region.

Saudi Arabia, Iran, Arab League, Sudan, Egypt, Turkey, UAE, Qatar and Kuwait are major regional countries involved in direct negotiations to resolve the crisis in Lebanon, while France , USA, Russia, EU community are leading the support of the regional efforts. Lebanon never had such an international coalition since Taef accord in 1989 Prince Bandar's visit to Iran and Mr. Larijani's visit to Riyadh and President Asad's visit to Iran when added to the efforts of Mr. Amro Moussa they all indicate the importance of such crisis. The reason behind these efforts is the necessity of resolving the Lebanese matter before the whole region suffers from its consequences.

Locally, politicians in Lebanon have reached their dead end. The government can't afford more stagnation in the system, while all parties almost agreed on the four principle matters:

- 1-The Truth regarding the assassination of P.M Hariri.
- 2- Formation of New government
- 3- Early parliamentary elections
- 4- Presidential elections

Opposition leaders had a moderate speech after 80 days of camping and protesting down town Beirut, while the majority of the Lebanese people supports the resolution and exerts serious pressure on all parties.

Good News!

Many parameters are expected to aid the potential recovery of the Lebanese real estate market in the near future:

- 1- The current nuclear debate in Iran is expected to affect the investment atmosphere in the gulf, which will positively contribute to accelerate the overseas second house purchases by numerous gulf high and middle income families especially in Lebanon.
- 2- More than 600,000 Lebanese are working in the MENA region; most of them are willing to purchase adequate properties in Lebanon at appropriate cost and terms of payments.
- 3- Gulf Financial Consumer Investment companies are targeting mortgages and housing loans, which are expected to compete with local banks. Recently, Hayek Group has teamed up with Kuwait-based Ajal Holding, a unit of Kuwait Investors Group, to provide loans to acquire residential properties in Lebanon for residents in Kuwait. ASAS International Real Estate Developments in Kuwait have signed an agreement to promote the project.
- 4- Competitive current prices of residential units in Lebanon with identical units in Dubai and Gulf region.

Finally, these days are not convenient to investors and we understand such reluctance in investment atmosphere, but all indications lead to a possible political solution in the near future. The Lebanese are well known for their strong resilience and quick recovery from turmoil.

Lebanon is expected to resume an uptrend economy, especially in the real estate market. Let's wait and hope for the expected good news in the early days to come.

Abdallah Hayek P.E
CEO
Hayek Group s.a.r.l
Beirut – Feb. 2007