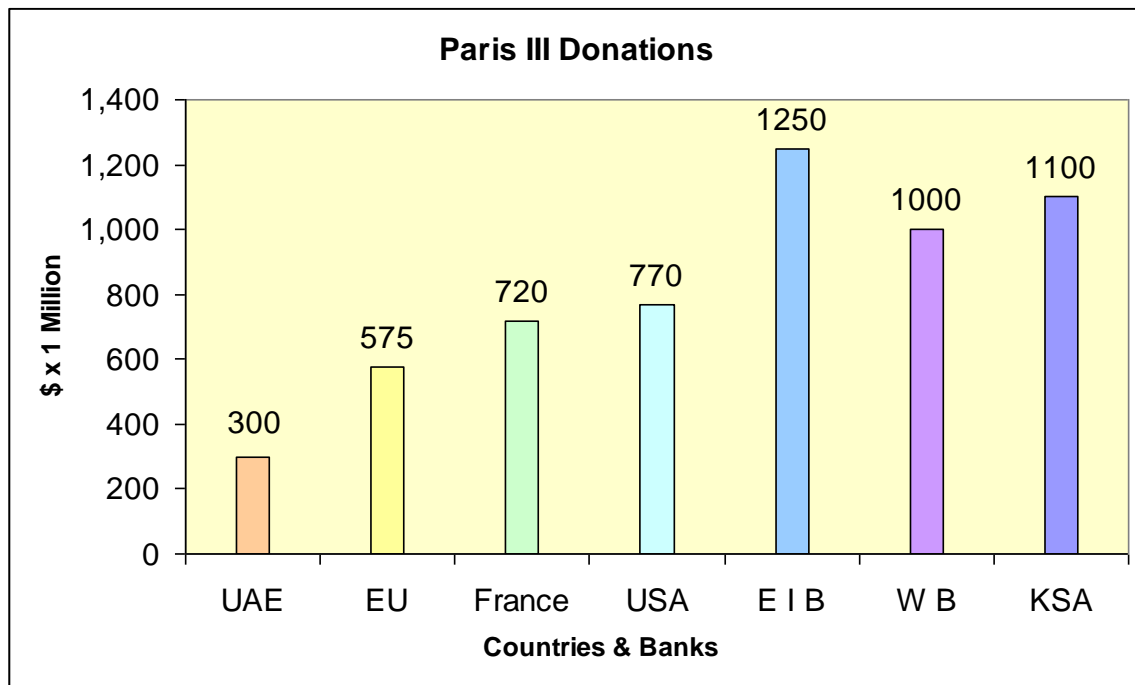


## Trust in the Lebanese Real Estate Investment

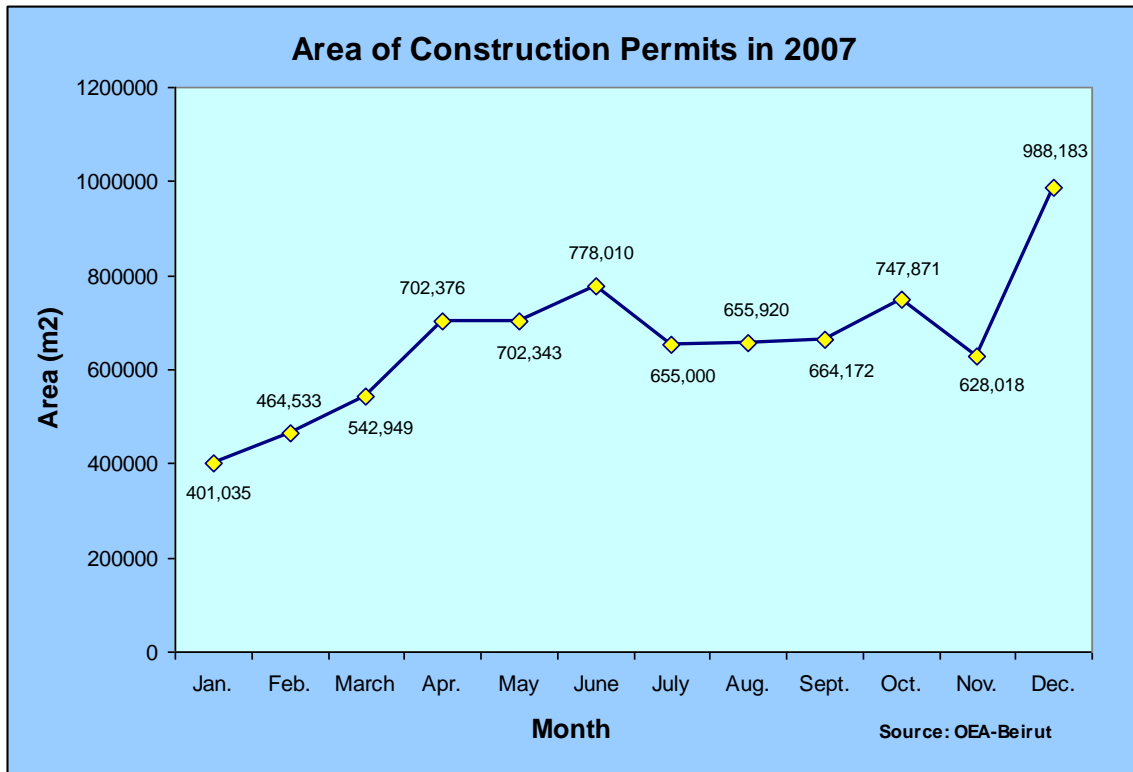
Lebanon is an amazing country despite the current turmoil, in 2006 & 2007 Lebanon managed to secure \$ 29 billion in foreign debt. Lebanese has great potential to revive and keep up with the economical growth even as modest as 3%. Is Lebanon in a stagflation status? "... No, but we are in a critical situation..." Minister of Finance Jihad Azour said "... the growth rate should increase to protect consumer prices and provide job opportunities and decrease immigration of young generations..."

The international community supported Lebanon more than any other country in this region; Paris III is one of the examples of economical commitment to Lebanon. (Fig. 1)



(Fig. 1)

Real Estate & Construction sector enjoyed a 5.14% increase in Construction Permits in 2007 compared to 2006. Mount Lebanon recorded 4,349,891m<sup>2</sup> representing 54.93% of total area while Beirut had only 610,316m<sup>2</sup> almost 7.71% (Fig 2)



(Fig 2)

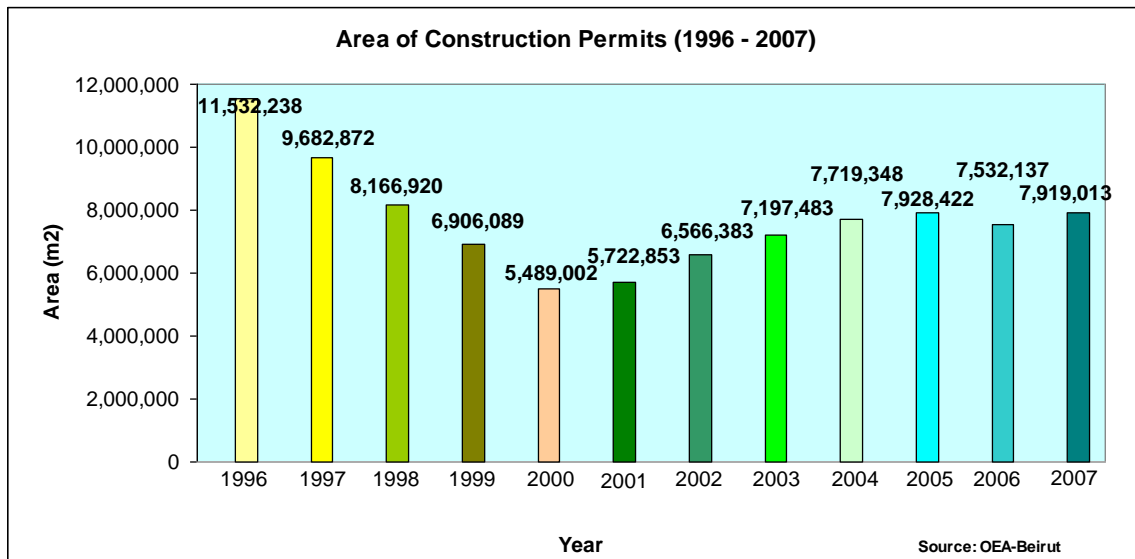
The current political crisis in Lebanon had a major effect on the Real Estate Market, followed by higher prices for construction material.

The country is witnessing a retreat in mega projects and luxurious apartments worth more than 1 million USD, while the middle income Lebanese families working in the region had a wonderful come-back-and-buy attitude in their home land.

Decent apartments with an average area of 250m<sup>2</sup> @ US\$300,000 to US\$400,000 had a fantastic opportunity to be sold even before completion with an IRR exceeding 30%.

Major contractors & developers have shifted from large apts. To the standard 250m<sup>2</sup> in Beirut and Mount Lebanon despite the average 30% increase in prices per square meter of built-up area.

Observers expected a sharp decline of the Total Areas of Construction Permits in 2007 in a country that has no president, a paralyzed parliament, an inefficient government and unstable political system, accompanied by a major loss of confidence between rival political parties, in a volatile region with sectarian conflicts. Instead the Total Areas of Construction Permits in 2007 was 7,919,013m<sup>2</sup> compared to 7,532,137m<sup>2</sup> & 7,928,422 in 2006 & 2005 respectively. (Fig 3)



(Fig. 3)

What should be the next step?

1 – **For Home Buyers:** The current situation in the country is a positive phenomenon to encourage Lebanese expats to get involved in direct purchase of decent homes at such an affordable prices of US\$1500/m<sup>2</sup> – US\$2500/m<sup>2</sup> in Beirut & US\$1000/m<sup>2</sup> – US\$1500/m<sup>2</sup> in the suburbs (Mtayleb – Raboueh – Fanar – Ain Saadeh – Mansourieh – Hazmieh – Hadath – Baabda – Jamhour).

2 – **For Real Estate Developers & Investors:** After the presidential election of this country, land prices are expected to soar especially in Beirut due to the rare availability of vacant plots for new construction. Despite the opposition sit-in in down town Beirut, land prices have increased by more than 80% since 14 months, Solidere Sector D water front have been sold for local Lebanese investors at record prices. This supports our expectations for higher prices of land in the near future.

An amazing market, indeed it is.

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