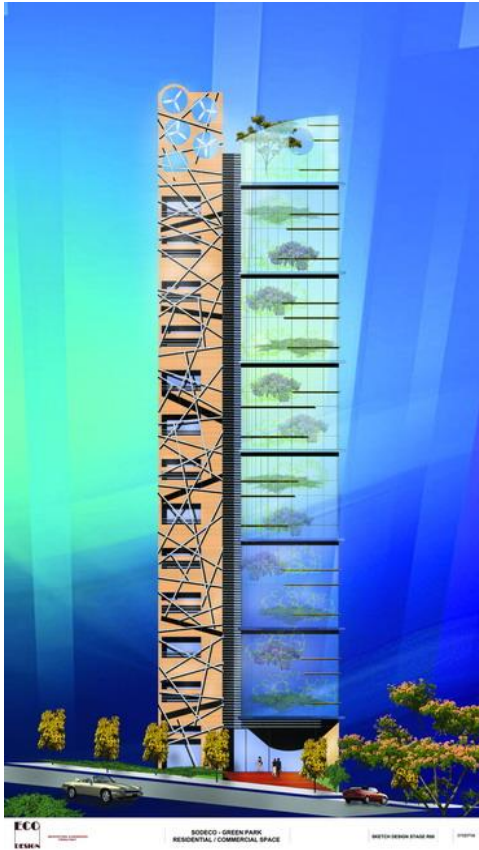


Regional Effects on the Lebanese Real Estate Market

The real estate market in Lebanon enjoyed a nice ride this summer, following positive regional stability.



The visit of French President to Syria, Syrian indirect negotiations with Israel, Iran's diplomatic effort to cease political tensions, the US elections, the resignation of Israeli P.M this month as expected, EU involvement with the peace keeping forces in the South, and future expectation in the region is totally affected by the US foreign policy and the new strategic issues towards Iran and Iraq.

This political stability has a direct impact on the Lebanese economy and especially on investment in the real estate and housing sector.

Land prices in Beirut have exceeded 40% increase in the first day of 08 especially in areas like Achrafieh, Gemmayze, Ras Beirut...

Property sales increased by 24 percent in the first half of 2008, almost 35,000 property sale operations were recorded during the same period with property tax increased by 60 percent.

Construction cost has increased between 30% - 40% due to the price increase in the construction materials.

The average cost of a 250m² apt. in **Beirut residential areas** reached US\$600,000 – US\$700,000 which has never existed in the modern history of Beirut.

Are we heading to a market correction?

The answer is "not too soon".

Are we facing a faster-than-expected slowdown?

The answer is "Absolutely not..."

Unlike Gulf real estate booming construction sector, Lebanon represents a small market gap which is unlikely to face a direct crunch due to the capabilities of its Middle income expats who are willing to invest in the market at any time irrespective of any economic or political aspects; this has been proven after the July war in 2006.

The financing is not an issue but the potential economic recovery is highly expected in any future market crisis, where Lebanon had a long experience with strategic recovery.

Oil prices had a down turn fluctuation, Emmar had an 8% decline in its shares this week, while the real estate market in Dubai is expected to enter into a correction period, Kuwait is also facing cash flow problems, Egypt and Jordan are under double digits inflation figures, despite all these regional indications Developments in Lebanon are expected to improve in the second half of 2008 due to the reductions of price increase in land transactions.

Land owners used to gain lately up to 30% within 3 – 5 month period, which make them reluctant to launch new projects and go through the tedious construction phases.

Lebanese real estate market is increasingly relying on internal investment of potential local investors; any regional political and economical turmoil will not have any serious impact on the real estate market whilst the increase in flow of Lebanese expats demand is able to counter balance any such negative fluctuation.

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