

## Real estate sector in Lebanon holding steady

2014-02-28 By Ayoub Khaddaj in Beirut



Construction continues in Beirut despite the country's economic stagnation. [Ayoub Khaddaj/Al-Shorfa]

Despite Lebanon's current economic stagnation -- due in part to the war in Syria -- the real estate sector is hanging on, analysts told Al-Shorfa.

Last year, the Bank of Lebanon implemented a plan to lend private banks up to 2.2 trillion Lebanese lira (\$1.5 billion) at low interest rates to use towards developing the housing, environment, production, research and development, and education sectors.

The real estate sector, which has been stagnant for over two years, garnered around 65% of these loans.

Marwan Barakat, head of research at Bank Audi, highlighted the importance of the step that the Bank of Lebanon took to address the housing issue and stimulate demand for apartments.

He said the total value of bank loans to the private sector rose by \$4 billion -- by around 9% -- in the past two years, with residential loans and loans to contractors representing about 30% of the total value of loans extended to the private sector.

"Public demand for home loans is good and banks have expressed satisfaction in this regard, particularly since bad loans represent only 3.5% of total loans, the same percentage over the past three years despite the slowdown in the economy," he said.

## **High prices**

The average price of an apartment in Beirut is currently very high, said Raja Makarem, owner of RAMCO Real Estate Advisers.

A study done by RAMCO, which covered activity in the sector through 2013 and included 382 housing projects under construction in Beirut, indicates that the average price of a mid-size apartment in downtown Beirut is \$2.6 million; it is \$1 million in Ashrafieh and \$994,000 in west Beirut.

"Those wishing to stay in Beirut need to be wealthy in order to own [property] in the capital, and those with a budget ranging between \$200,000 and \$400,000 are looking to buy in areas outside Beirut," he said. Demand for apartments in the capital at the present time remains high because supply is low to start with, Makarem said. The funding that the Bank of Lebanon provided to commercial banks stimulated more demand for small apartments, he added. "There is a disproportion between supply and demand, as there are large apartments available at high prices while income and financial resources are limited," economist Louis Hobeika told Al-Shorfa. He said the solution lies in encouraging the construction of small apartments with areas not exceeding 150 square meters, so their prices are affordable for a larger segment of citizens.

## **Hanging on**

The housing crisis "is likely to get worse due to increasing demand, families' limited resources and absence of a government housing policy", said Ghazi Wazni, adviser to the parliamentary finance and budget committee, during a February 26th seminar titled "Housing Policy and Real Estate Speculation, organized by the Issam Fares Center for Lebanon.

He said the reasons the real estate sector is holding steady and has not collapsed include the scarcity of lots, shrinkage of land area that is suitable for building, and financial resources being available to most developers, as well as the Bank of Lebanon's policy of providing financial support to the real estate sector.

"One of the other reasons the sector has not collapsed is that developers have turned to investing in small and medium-sized apartments," Wazni said.