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Empty towers

Just because you build it does not mean buyers will come



(Greg Demarque | Executive)

Seven years ago if you went out at night and looked at some of the newer residential buildings completed in Beirut, you would notice that many of the flats were dark. At that time, the explanation was that the owners were either foreigners or Lebanese expatriates who only use the apartments for a few weeks or months per year. Today the phenomenon is the same but the reason has changed: many of these units are still not sold. Since the Syrian crisis erupted in 2011, the Lebanese real estate market has been in a slump. The number of real estate transactions fell in 2011, 2012 and 2013. The first nine months of 2014 suggest there may be a small rise in sales activity compared to 2013, but 2014 will no doubt still stack up short compared to 2010.

The Syrian crisis, however, is arguably not the only culprit here. After the 2006 war, developers announced a flurry of projects that did well in off-plan sales. This prompted even more projects with little attention paid to whether or not the market truly wanted — or needed — all of them. The result is unsold apartments. At the end of both 2012 and 2013, Ramco Real Estate Advisors did a survey of buildings completed in Beirut in each respective year with an asking price for a ground floor apartment of \$2,800 per square meter and above. In each year, Ramco found that 65 buildings matched their criteria. By the end of 2012, 217 apartments in the newly completed buildings surveyed were

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unsold. By the end of 2013, there were 277 unsold units in newly completed buildings that fit Ramco's criteria. For each year, Ramco noted, the unsold units were over 300 square meters in size. Jihad Ibrahim, managing director of Jamil Ibrahim Establishment, argues that many of the buildings going up in the downtown area are also largely unsold. The real crisis in the real estate market seems as related to oversupply as it does to the war in Syria.

It is true that there will always be some demand for property in Lebanon (both local and expatriate), however, whether developers understand and respond to that demand will be an important question for 2015 and beyond.