

PROPERTY SALES IN BEIRUT

A buyer's market

THREE TRENDS KEEPING HOUSING AFLOAT

By Karim Makarem

If you hear anyone cry wolf about demand in the Lebanese real estate market in 2013, rest assured that this is not the time to panic.

The market is not exuberant, true, and demand is limited. But, overall, we are seeing a definite continuation of demand in the first quarter of 2013 from the end of 2012.

The residential market in Beirut remains in a consolidation phase marked by capital appreciation. I consider this phase as a healthy pause between the rapid growth and price hikes that characterized the five years between 2005 and 2010, and a still unclear future. Many buyers have held off their purchasing decisions, pointing to the political and security environments on both local and regional levels to explain their indecision. Add to this the feeling that the economy is worsening, in the sense that growth has slowed while consumer prices have kept rising, and people are understandably keeping a tight grip on their wallets.

From the supply side, where new apartment stock has been added, buyers have also not been nudged into urgency. With rapid price hikes a thing of the past, buyers were quite right to feel comfortable in delaying their final home purchase decisions. Despite the price stability and the unclear future, the current situation fulfills the primary criteria for a buyer's market: "more supply than demand".

However, a buyer's market does not last forever, and Lebanon is far from being a distressed market where sellers will accept any price. Even as the main real estate indicators are in the red — from construction permits to cement deliveries, to the number and value of real estate sales transactions, *etcetera* — it is incorrect to assume that apartment

prices will drop across the board or that the market will crash.

On the contrary, our economic and demographic fundamentals make it doubly likely that the current buyer's market will persist only for so long. It is therefore sensible for people on the lookout for a new home to take advantage of three market realities that speak for purchasing an apartment now: stability of prices; the accumulation of unsold units; and the growing number of re-sales.

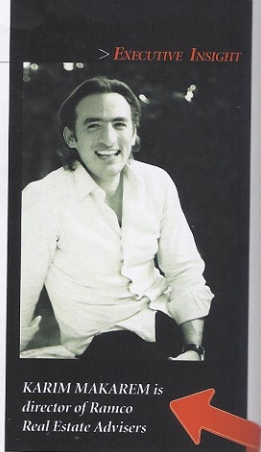
PRICE STABILITY

With stable prices at their 2010 levels for the past two years, buyers can take reasonable time to explore all aspects of home purchase thoroughly and also can feel assured of obtaining a property at its fair market value. Although some prices are on the rise, most landlords are aware that the situation does not justify price hikes.

If you are a seller in this market where prices are stable and can be expected to remain so for the foreseeable future, you will need to be flexible on pricing and quite willing to offer a discount to serious buyers. Although discounts are not officially announced, they are relatively common. Experience shows that prices could drop between 10 to 15 percent in some instances, once negotiations reach an advanced stage.

SUPPLY ACCUMULATION

Between 2008 and 2010, prices per square meter of new residential properties were increasing by as much as 35 percent in some areas of Beirut. Areas most in demand saw their prices jump by 10 to 15 percent each quarter. Predictably, this transpired into a new building wave. Many of these projects



KARIM MAKAREM is
director of Ramco
Real Estate Advisers

were delivered in 2012, others are due this year.

As any astute observer expected, buyers' budgets could not keep up indefinitely with the rampant price increases and part of demand dried up, with the belated impacts of the 2008 financial crisis on Lebanon, the political turmoil at home and the unstable situation in Syria all contributing to slow down the property market. Both the result of slower demand and increased development activity is a glut in supply that smart buyers take advantage of.

RE-SALES

Another source of opportunities is the secondary market. Its supply is strong because many investors are happy to cash out on value gains they achieved from placing their money into lucrative residential projects during the 2005-2008 development boom. As investors leave the market to pursue other opportunities, buyers who review the considerable number of apartments on the secondary market are very likely to find a suitable property at its fair market value.

The choices are ample. Prices are stable. It is a buyer's market and people who can take advantage of best-available financing this year have a great window to use their options wisely.