

ramco  
REAL ESTATE ADVISERS SINCE 1973



GEFINOR, BLOCK D, BEIRUT, LEBANON  
Tel: +961 1 349 910 Fax: +961 1 753 573  
www.ramcolb.com mail@ramcolb.com

Q2 . 2012

## The Quarterly

INFORMATION & INSIGHT  
INTO THE LEBANESE REAL ESTATE MARKET



Although real estate activity was dampened this summer by the security and political turbulences, demand is sustained by buyers looking for their first home, investors looking for stable rental income, a minority of speculators who receive preferential rates at the launching phase of a new project, or expats investing in an apartment back home.

**RAJA MAKAREM**  
Founder & Managing Director

## Letter from the founder



The market is deceptively “quiet” – at least compared to the intense activity of the previous few years. In reality, we continue to see genuine demand and transactions for residential units but only for the appropriate product at its fair market value.

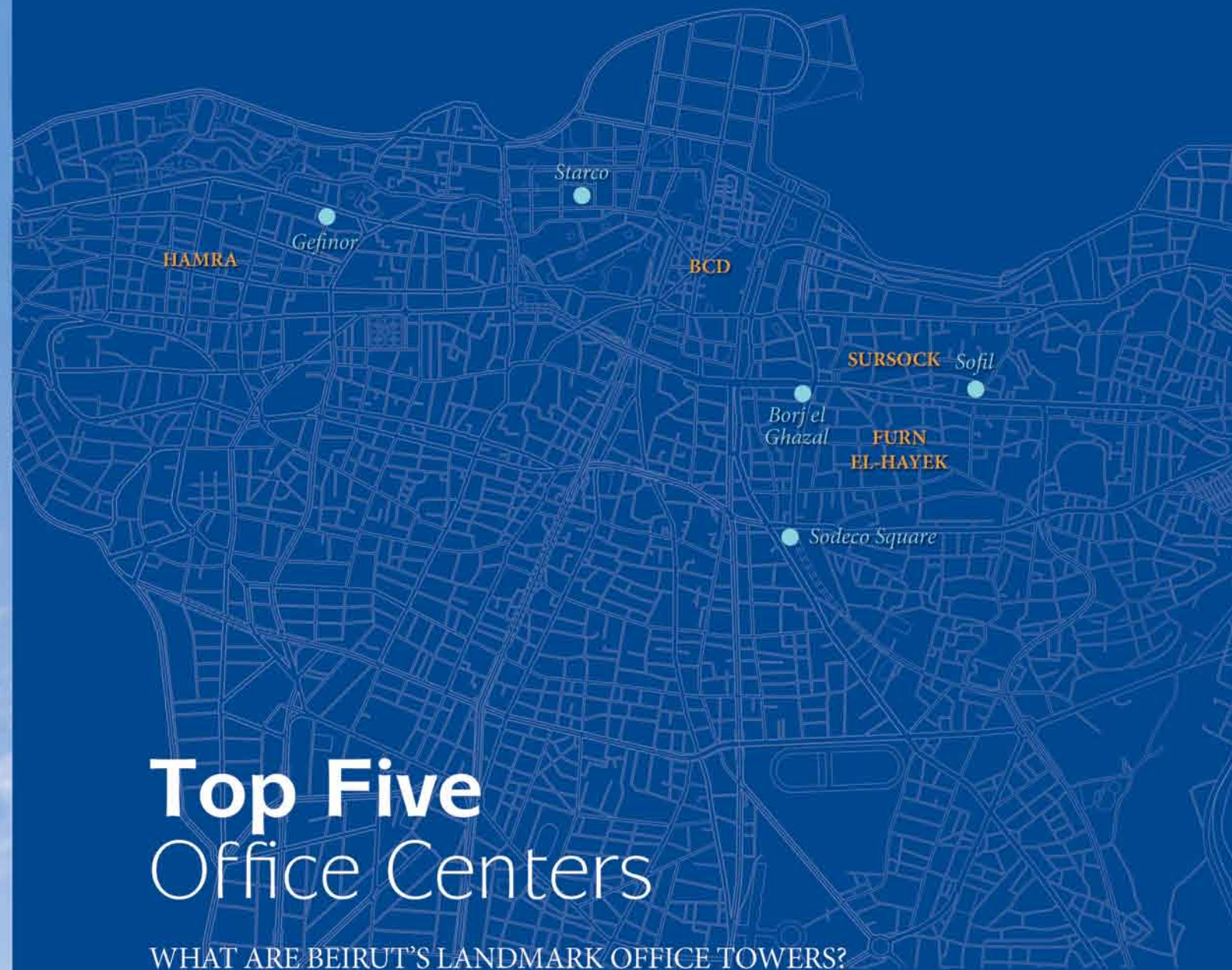
Current buyers fall into two categories. The first category is made up of mid-market, local families looking for small apartments in Beirut and its periphery at budgets not exceeding USD 1 million. The second category is constituted of upper-market local families and expatriates looking for 300-400 SQM apartments in elegant neighborhoods for budgets in the vicinity of USD 2 million.

These are all healthy signs amidst the general perception of a slow market. What has really changed about the market is the state of mind of its buyers. Following years of unchecked euphoria accompanied by dizzying increases in prices for both apartments and plots of land, the market has shifted into what I like to call a more reasonable mood. Buyers are more poised, calmer, with more realistic expectations and a clearer judgment. This is a normal reaction in most stressed markets, but in the case of Lebanon, it was a needed transitional period to check the unsustainable price hikes of the past several years.

It is true, of course, that buying real estate is an emotional decision. It is also a luxury. Therefore, buyers who are pessimistic about the general outlook of the market will always find a valid excuse to postpone their purchases. Others see the current market situation as an opportunity to own property at its fair market price.

So, although real estate activity was dampened this summer by the security and political turbulences, demand is sustained by buyers looking for their first home, investors looking for stable rental income, a minority of speculators who receive preferential rates at the launching phase of a new project, or expats investing in an apartment back home.





# Top Five Office Centers

WHAT ARE BEIRUT'S LANDMARK OFFICE TOWERS?

Some office centers have become landmarks dotting the urban landscape of Beirut. The best known are Starco, Gefinor, Sofil, Sodeco Square, and Borj el Ghazal. These are highly recognizable addresses that everyone knows and that are usually used to give directions to other, less known places. Two date back to the 1960's, but are still performing at the same high occupancy levels as their more recent counterparts. All five office centers operate at more than 90% occupancy. However, if the office component is doing extremely well, the retail element of these centers has lost ground, suffering from the competition of modern shopping malls and shopping arcades.



# Top Five Office Centers

WHAT ARE BEIRUT'S  
LANDMARK OFFICE TOWERS?

## GEFINOR CENTER - CLEMENCEAU

Designed by Swiss architect, Victor Gruen (in whose memory the center's famed restaurant was named), Gefinor Center has been, since its inauguration in 1969, the main business destination of Ras Beirut. It also boasts a timeless design that has not gone out of fashion – forty years later, it is still appealing and modern. Gefinor enjoys an excellent location on the northern limit of Hamra: It is near AUB and AUBMC, two major attraction poles in the area, and close to the city's central business district of BCD. With about 13,000 SQM of parking spaces for a total 21,500 SQM of offices, the center offers a key advantage over its competition, reflected in its occupancy levels and some of the highest rental values in town, which peak at USD 400 per SQM per year. The commercial gallery with façades on the street performs well, although the commercial space is dominated by banks and travel agencies. Gefinor, however, is still plagued by a large portion of old rental contracts.

**RAMCO's estimated average office rental value: USD 300-400 per SQM per year**

## STARCO CENTER - BCD

This is the capital's first purpose-built business center, inaugurated in 1961 and designed by two other Swiss architects George Addor and Dominique Julliard. Enjoying an excellent central and easily accessible location, Starco is one of the largest office centers in BCD. It is made up of two blocks and offers ample parking spaces. Despite its outdated façade that contrasts sharply with the brand new stock of Minet el Hosn in BCD, Starco operates at almost full occupancy. The center's new owners have also managed to reduce the ratio of old rentals, so that the center is mostly tenanted under new lease contracts, at much more interesting returns. The center's only setback is the poor image and performance of the retail component, contrary to the glitz of neighboring Park and French avenues.

**RAMCO's estimated average office rental value: USD 300-350 per SQM per year**

## SOFIL CENTER – CHARLES MALEK AVENUE

The main geographical reference on Charles Malek Avenue, Sofil Center is still one of the most elegant office buildings of Beirut. Extremely well renowned, the center houses a number of different businesses as well as a niche movie theatre and a collection of well-known luxury retail brands, among them design home accessories, jewelry boutiques, and restaurants. Such a central, recognizable address guarantees high occupancy rates. Sofil indeed has very few availabilities and a very low turnover of tenants.

**RAMCO's estimated average office rental value: USD 250-275 per SQM per year**

## BORJ EL GHAZAL TABARIS

This is one of the most successful office building projects developed in Beirut in the early 2000's. The tower's 9,000 SQM of offices dominate Saifi Village, and offer unobstructed views over BCD, Martyrs' Square, and the Mediterranean Sea. Borj el Ghazal's main strength is its centrality: It is located at the juncture between BCD, Ras Beirut, and Ashrafieh. A simple, clean design, without being prestigious, Borj el Ghazal posts excellent occupancy rates, with a very low turnover. The center's one weakness is the poor performance of its retail stock, which accumulates a succession of closures despite the heavy flow of traffic. No brand has been able to remain in business for longer than two years. Visibility is limited, however, as retail units are located under an arcade.

**RAMCO's estimated average office rental value: USD 250-275 per SQM per year**

## SODECO SQUARE - SODECO

Built in the mid 1990's, Sodeco Square is an easily accessible business address in the heart of Beirut, without being a particularly high-end product. The office units have been sold to individual investors but retain a good rental value to amenities ratio thanks to parking facilities and centralized management. With a majority of small units, most of them measuring 115 and 145 SQM, Sodeco Square easily attracts a wide variety of tenants – from private medical clinics to design or accounting offices. It operates at an occupancy rate between 90-95%. The commercial gallery has known waves of ups and downs, going through a particularly difficult period with the launching of ABC Mall. It has since regained a new burst of activity by catering to a young clientele. The movie theatre and the café that is the heart of the center help maintain a steady footfall.

**RAMCO's estimated average office rental value: USD 200-225 per SQM per year**

### ESTIMATED RENTAL VALUES (USD/SQM/YEAR)

Gefinor Center	Clemenceau	300-400
Starco Center	BCD	300-350
Sofil Center	Charles Malek Ave.	250-275
Borj el Ghazal	Tabaris	250-275
Sodeco Square	Sodeco	200-225





# Zoom Damascus Road versus Monnot Retail

## DAMASCUS ROAD

### Type of supply

Empty plots of land that can be built to measure

### Type of demand

Mid-market local and international F&B brands

### Characteristics

High traffic axis, high occupancy, stable prices

Average retail rental value (USD/SQM/Year)

600-700

## MONNOT STREET

### Type of supply

Small retail units on the ground levels of old buildings

### Type of demand

Some pubs and diverse retail

### Characteristics

Narrow, one-way street, low occupancy, declining prices

Average retail rental value (USD/SQM/Year)

300-500

## Parallel Streets, Divergent Fates



*Monnot Street and Damascus Road are parallel streets that share very little else: They are as different one from the other as they would have been had they been located kilometers apart in very different parts of town. They have a distinctly different geographical topography, contrasting supply, and target a different type of clientele. While Monnot knew its glory days in the late 1990's then dwindled after the early 2000's, at which time Damascus Road started picking up.*

## MONNOT STREET

The late 1990's and early 2000's saw the swift rise of Monnot Street as the main entertainment hub of Beirut. Before Monnot Street, pubs, bars, and other night attractions were scattered in quite a haphazard manner across the city. Monnot was the first large-scale concentration of pubs in the post-Civil War years. During a number of years, Monnot Street was extremely congested with cars and merry-makers until the small hours of the night.

Its popularity, however, helped hasten its decline by enticing other areas to follow suit. Neighboring Gemmayze and Damascus streets offered severe competition by diverting Monnot's clientele toward newer concepts. Over the past few years, Monnot Street has seen its fame dwindle: Rental values have been dropping steadily, turnover is extremely high, and availabilities become more and more abundant. Despite frequent total concept rehabs, newcomers find it difficult to survive beyond a year.

Only a few brands remain to man the fort. These are brands that were among the first to open along a quaint little alley off Monnot Street, which seem implanted there to stay. The main street is starting to attract non-pub retail – clothing stores, children's clothing stores, a wine boutique, a few restaurants.... Monnot Street may no longer be the prime nightlife destination, but it's tentatively finding a new niche to fill.

## DAMASCUS ROAD

The former dividing line (Green Line) during the Lebanese Civil War, Damascus Road was slow in overcoming the negative connotations that still hung to it. However, as Monnot Street became saturated during its peak years, F&B operators braved the street's reputation and opened the first few restaurants in the short stretch of road between the Sodeco Square intersection and the Ministry of Finance building.

Nowadays, Damascus Road is almost fully occupied from Falamenke to Yabani. The area boasts the biggest names in the F&B industry, Lebanese as well as international. The potential, however, remains limited to mass-market F&B: Lebanese cuisine, narguileh, fast food international cuisine, international café chains....

Since the first brands set foot there, Damascus Road has proved its supremacy by the numerous advantages it offers. It is centrally located, very easily accessible (which contrasts sharply with Monnot Street that cannot absorb high traffic, which used to result in major traffic jams). The street is also lined by empty plots of land, which allows F&B operators to rent land and build temporary constructions that exactly fit their needs, instead of being constrained by existing stock.

The popularity of Damascus Road has not waned since the early 2000's. On the contrary, it has become a major F&B destination of the capital, with very limited availabilities and high rental values. The street's growth seems to be limited only by its geographical topology: Vacant plots are becoming rare and the southern end of the street is impossible to develop due to the presence of Sodeco Square, parking lots, and a cemetery. This may help keep the appetite for the northern part of Damascus Road high.



# Snapshot

## CLEMENCEAU



The 10 projects currently taking place in Clemenceau are solid proof of the area's growing popularity. Caught between Beirut Central District and Hamra, Clemenceau draws developers and homebuyers alike. It is a relatively quiet residential area, despite the congestion of Clemenceau Street. The presence of a number of old palaces and green spaces, among them the gardens of the Ecole Supérieure des Affaires (ESA), add a special flavor to the area. Tall buildings offering unobstructed views of the Mediterranean Sea or over the ESA garden can justify a high asking price. Clemenceau, however, remains highly affordable as compared to neighboring Hamra, Sanayeh, and Ain el Mreisseh.

### Omar Daouk Street

Highly attractive, Omar Daouk Street is bordered by large plots that allow the construction of towers between 20 and 26 floors. The lower floors thus benefit from views over ESA and Joumblatt Palace, while the upper floors enjoy unobstructed views of the seashore. Residential projects offer large apartments, with sizes varying between 465 and 560 SQM. Starting asking prices are quite high, but still very competitive compared to prices elsewhere in Ras Beirut. The limited supply (only a handful of vacant plots remain and only one project is currently under construction) may bring prices up over the coming few years, particularly as pressure continues to mount from increasing prices in surrounding neighborhoods.

RAMCO's estimated starting sales prices lie at around USD 4,500 per SQM for the first floor.

### Inner Streets

Several projects are currently under construction around Clemenceau Street – in smaller perpendicular and parallel streets. Interwoven into a mixed urban landscape, with office buildings, hospitals, schools, a university, and heritage homes, these streets remain predominately residential. The stock is mostly made up of small projects, containing about 10 units each. For the most part, these buildings are strictly residential, offering no commercial units on street level. Apartment sizes vary between 250 and 300 SQM, catering for a mid-market clientele, at prices slightly lower than those of Omar Daouk Street.

RAMCO's estimated starting sales prices lie at around USD 3,700-3,800 per SQM for the first floor.







## Focus Land in Mar Mikhael

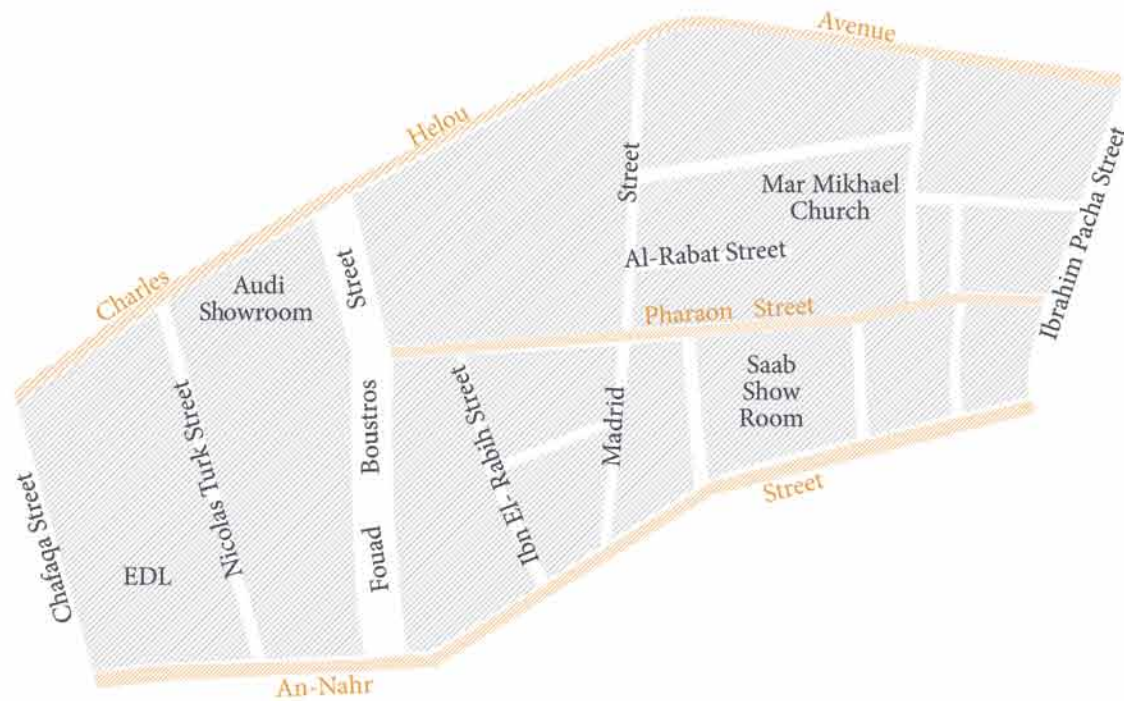
*Only in 2005 and 2006, the price of land in Mar Mikhael stood at around USD 200 per BUA. It has since jumped by about five or six times over! After being snubbed by developers and end-users for decades, the area's residential and retail markets boomed, almost overnight, as if by the wave of a magic wand. The handful of investors who had the foresight to value the area's true potential made some excellent deals in an area that witnessed some of the fastest growth in Beirut – even more so than Ashrafieh's Golden Triangle.*

### **MAR MIKHAEL LAND PRICES**

Nahr Street	1,300 – 1,500 USD/BUA
Charles Helou Avenue	1,500 – 1,700 USD/BUA
Pharaon Street	1,200 – 1,300 USD/BUA

**SOURCE:** RAMCO - JUNE 2012





# Focus Land in Mar Mikhael

## NAHR STREET

The inner road of Nahr Street is the window of the Mar Mikhael area. It is one of the rare neighborhoods of Beirut that was able to retain its charm – old buildings, often listed, lend a vintage image to the area. Because the availability of land is restricted by the number of listed buildings, only two projects are currently taking place in the area. There are very few vacant plots ready for exploitation in the entire area. The only exploitation possibilities are to destroy existing buildings and rebuild in their place. The area’s potential is restricted to residential units with commercial space on street level.



## CHARLES HELOU AVENUE

This is the main artery into Beirut from the eastern suburbs and the North, generating uninterrupted traffic flow. From the MTC Building to the former train station of Gemmayze, the area’s empty plots are among Beirut’s largest stock of vacant land. Made up mostly of large plots that require huge budgets and grand projects, Charles Helou Avenue remains relatively empty. Dominating the Port of Beirut and spoiled by the noise and pollution of the constant traffic, Charles Helou Avenue is only suited for commercial development: offices, retail, and hotels. As long as demand for large commercial spaces in the area continues to stagnate, the plots along the highway will remain the playground of investors and speculators.

## PHARAON STREET

Located near the Mar Mikhael Church and Cemetary, Pharaon Street and the small alleys around it constitute the heart of the neighborhood. With its small buildings, quiet setting, and slightly laid back mood, the area has much charm. It has become the new “in” address of town, highly prized by developers. Ideally suited for avant-garde, small residential developments, the area is attracting a new class of bohemian homebuyers, looking for an authentic village spirit in the heart of the city. Although the area’s zoning allows for low-rise buildings, projects developed on larger plots (or merged small plots) can be built quite high.

## PRICES

Depending on the exact location, prices of land in Mar Mikhael vary between a low of USD 1,200 per BUA and reach a high of USD 1,700 per BUA. The most expensive plots are quite naturally to be found along Charles Helou Avenue, as this is the area with the highest commercial potential (although this remains highly hypothetical since the area has not attracted actual projects yet – but speculators firmly believe it is bound to in the future). Prices there vary between USD 1,500-1,700 per BUA of land. The further inland and the more restricted the use of the land becomes, the lower land prices drop. Along Nahr Street, the value of the land is around USD 1,300-1,500 per BUA, depending on the exact location of the plot. Prices of plots in the strictly residential inner streets around Pharaon Street currently stand at USD 1,200-1,300 per BUA.

AREA	RESIDENTIAL	OFFICE	RETAIL	HOSPITALITY
Nahr Street	✓		✓	✓
Charles Helou Avenue		✓	✓	✓
Pharaon Street	✓			

SOURCE: RAMCO - JUNE 2012



## BCD Special

One of the largest avenues in Beirut Central District (BCD), Park Avenue – by its official name, François el Hajj Avenue – runs north to south, going from Minet el Hosn (the area's Hotel District) to the area of Beirut Souks. Lined by new buildings, the avenue offers a mixed stock of residential and office units, decked by retail space on street level. Park Avenue has become one of the most elegant business destinations in town. It is much in demand by large local companies and international firms as well as high-end retail brands. Of the 13 plots the avenue counts, seven are residential buildings.

### OFFICE SUPPLY

Park Avenue (up to Bab Idriss) offers the most modern office stock in BCD. The four buildings are among the best known office addresses in town: The Bank Audi head offices, Berytus Parks, The Palladium, and 2 Park Avenue. As all office buildings were completed in the five or six years, they follow the highest international norms. They offer large, flexible spaces that can be adapted to the requirements of the market, large, clean lobbies, underground parking spaces, clear signage, and round-the-clock security. The buildings also undergo ongoing maintenance. A stock of such quality easily justifies the high asking rental values that range between USD 350-375 per SQM per year, particularly as there are few office units with comparable characteristics on the market. Office buildings operate at nearly full occupancy. Only one block in the office building 2 Park Avenue remains vacant, because it is offered on the sale market.

### RESIDENTIAL SUPPLY

Of the seven residential buildings, four are completed and three are still under construction. Simplexes in the area range between 375 and 650 SQM. Although this is above the current average unit size of BCD, absorption rates are within the norm. Thanks to its exquisitely manicured urban setting and the limited number of units of its buildings (most projects count between 11 and 22 units each), the area attracts a clientele looking for quiet, exclusive, and private residences, despite the lack of views over the Mediterranean Sea, usually a prerequisite for people looking to buy a home in the area of Minet el Hosn. Park Avenue is predominately a sales market, with only one building offering rental units.

### RETAIL SUPPLY

Park Avenue is an atypical commercial address. With a very limited pedestrian flow, it is a high-end destination that attracts a specific clientele. Retail units, however, have very good visibility and excellent exposure, thus providing important commercial potential. The two ends of the street, however, have slightly different potential: The northern end is relatively flat, perfect for shopping, and is in continuity with the retail stock of Wafic Sinno Avenue; the southern end is an incline, and therefore not an ideal pedestrian address. The area has become a high-end hot-spot, however, attracting leading local as well as international retail brands – one restaurant and several clothing stores are now located on Park Avenue.

### PARK AVENUE AT A GLANCE

TOTAL NUMBER OF PLOTS **13**

RESIDENTIAL BUILDINGS **7**

OFFICE BUILDINGS **4**

EMPTY PLOTS **2**

OFFICE RENTAL VALUE (USD/SQM/YEAR)  
**350-375**

RETAIL RENTAL VALUE (USD/SQM/YEAR)  
**1,000-1,200**

RESIDENTIAL STARTING SALES PRICE  
(USD/SQM) **6,500**

SOURCE: RAMCO - JUNE 2012







ramco  
in the  
news

[www.ramcolb.com](http://www.ramcolb.com)

## WHAT WE WROTE IN L'ORIENT LE JOUR

The prevailing security situation, be it in northern Lebanon or across the country's northern borders, does not predict good days for the real estate sector – a normal reaction, to be naturally expected (8 June 2012). However, market niches still perform well, provided they target the right clientele with the appropriate product at fair market value. Thus, while 12 office buildings are currently under construction in Ashrafieh, representing about 55% of the total office stock being built in Beirut (27 March 2012), F&B appetite for Hamra Street doesn't wane (12 May 2012) and BCD is witnessing the development of 26 residential projects, a record high for the region (25 May 2012). Still, overall rental yield is slightly down, although well thought out products can fetch between 5-6% annually (27 April 2012). Rental values remain much more modest than the peak of USD 650 per SQM per year and the Beirut average of USD 565 per SQM per year quoted by Cushman & Wakefield in their annual real estate report (5 April 2012).

Note: We would like to correct an error that appeared on the Ramlet el Baida map in the previous edition of The Quarterly (Q1 2012). We wrongly identified the location of the future Iraqi Embassy as the new Libyan Embassy (under construction). Sincere apologies!

## WHAT WE SAID

"It can be said that the situation is still healthy and that there is nothing worrying, but the period of unchecked growth that we saw during the past six years, during which prices increased by 25-30% annually, is over."

*Millions of square meters face limited demand – Al Afkar, March 2012*

"Definitely there are both positive and negative repercussions from the eventual introduction of a large [amount] of stock to the market."

*Tragedy to transformation – Executive, 8 May 2012*

"The real estate sector has not yet entered into a crisis, but it has slowed down, although this period of stagnation could be healthy to the sector and the Lebanese."

*The real estate sector bleeds: Apartment prices drop contrary to the price of land – Al Joumhouria, 28 May 2012*

## WHERE WE APPEARED

An-Nahar's "Five-Minute Interview" ran a bio of Raja Makarem in its 30 March 2012 issue, saying that despite the many ambitions that he still has, he is happy to let his two sons realize more successes for the company. Raja Makarem was hosted by the Arab Economic Forum, held at the Phoenicia Hotel on 10 May 2012.