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REAL ESTATE ADVISERS SINCE 1973



## The Quarterly

INFORMATION & INSIGHT  
INTO THE LEBANESE REAL ESTATE MARKET



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Products that effectively address existing demand by offering the right size, the right layout, in the right locations, and at the right prices are still selling well.

**RAJA MAKAREM**  
Founder & Managing Director

## Letter from the founder



2014 closed as it opened: real estate indicators of activity – construction permits, number of sales transactions, value of sales transactions, etc. are all on a slight drop year-on-year, for the fourth consecutive year. Figures from the Real Estate Registry indeed show that the volume and value of sales transactions have been relatively stagnant since 2011.

However, this period of stagnation follows almost five years of year-on-year growth, accompanied by unprecedented and often unjustifiable price increases of between 20% and 30% per year between 2005 and 2010. It was only logical to expect a moment of respite for the market to absorb these price hikes and settle back into a more sustainable pace.

We therefore do not look at the current stagnation with too much anxiety. On the contrary, we believe that this temporary pause is healthy for a market that, in our opinion, was starting to over-heat. As long as the underlying market fundamentals are healthy, we see no real reasons for worry. So far, these fundamentals are indeed healthy: the market is dominated by self-funded developers and end-user buyers with a very slim minority of speculative investments, two basic premises that keep the market in check.

Casual observers of the real estate market and sensational mass media often “predict” a total collapse of the real estate market in Lebanon and “foresee” a burst of the “bubble.” Such talk has been in and out of the public ear since the onset of the international economic downturn of 2008. Either of these predictions has yet to materialize. The fact that neither has reflects the solidity of the local real estate market.

It is true that prices have stagnated – or even slightly dropped – during the past several months and that demand has been sluggish at best. However, the market is not dead. Products that effectively address existing demand by offering the right size, the right layout, in the right locations, and at the right prices are still selling well.

Here lies the crux of the matter. It is indeed a slow and certainly a difficult market but it is not a speculative market that threatens to burst. Professional developers who have a keen understanding of demand and the governing market realities know how to weather this transitory period.

Our recommendations for a successful 2015: Arm yourselves with solid market knowledge and insight and hope for an improvement in the local political scene.



# Top Five Largest Office Supply

WHICH NEIGHBORHOODS OFFER THE  
LARGEST UPCOMING OFFICE STOCK?

*There are currently around 184,000 SOM of office space under construction in Municipal Beirut. This volume is distributed across 36 projects. Some projects are single-use office buildings, while others are office floors located on the lower levels of residential buildings.*

*The regions with the largest office supply are all located in central and eastern Beirut. Neither of the neighborhoods located in Ras Beirut make the Top 5 list! Hamra has the largest upcoming stock in Ras Beirut with just 8,279 SOM of offices under construction and UNESCO offers a meager 3,600 SOM.*

## UPCOMING OFFICE SUPPLY

AREA	SIZE OF STOCK (SOM)	ASKING SELLING PRICE (USD/SOM)
BCD	49,923	5,500 – 7,500
Corniche el Nahr	37,146	3,500 – 4,000
Adlieh-Badaro	33,392	3,500 – 4,000
Hotel Dieu	11,484	3,500 – 4,000
Sodeco	10,150	5,700*

\*on the 10<sup>th</sup> floor

SOURCE: RAMCO SARL – DECEMBER 2014





# Top Five Largest Office Supply

WHICH NEIGHBORHOODS OFFER THE  
LARGEST UPCOMING OFFICE STOCK?

## BCD

It is logical to expect the highest number of office stock to be under construction in Beirut Central District (BCD), the neighborhood that holds the highest concentration of office buildings in the capital. The largest overall stock (49,923 SQM) is distributed across only five projects that are currently taking place in BCD: Two close to Starco Center and three on the area's outskirts (Saifi and Bachoura). Each project offers an average of 9,985 SQM of office space.

*Asking selling prices vary between USD 5,500-7,500 per SQM.*

## CORNICHE EL NAHR

The area is not a traditional business destination. However, the large stock of vacant plots that are relatively easy to develop have attracted a diversified panel of real estate projects – residential, hospitality, and offices. Office buildings are taking place on the plots that are least suitable for residential development, especially along the main traffic arteries, which are too busy and too noisy to attract future homebuyers.

*Asking selling prices vary between USD 3,500-4,000 per SQM.*

## ADLIEH-BADARO

The third largest stock is located in the area of Adlieh-Badaro. Individual projects are smaller than those taking place in BCD. Seven projects are currently under construction in the area, offering a total of 33,392 SQM of office space. Demand is driven by professionals in the legal sector because of the proximity of the Palace of Justice and a number of governmental offices but also by companies that want to avoid the traffic jams of the inner streets of Beirut.

*Asking selling prices vary between USD 3,500-4,000 per SQM.*

## HOTEL DIEU

The presence of Hotel Dieu boosts demand for small private clinics. The area, however, is close enough to Adlieh's Palace of Justice to also attract lawyers. Developers have picked up the trend and offer offices to satisfy both types of demand. This supply has been met with great success, as it has been several decades that no new office project was built in the area.

*Asking selling prices vary between USD 3,500-4,000 per SQM.*

## SODECO

Three projects are currently under construction in the area. However, the sheer size of Sama Beirut places Sodeco ahead of areas in Ras Beirut that have a larger number of projects! At its initial launching, the project had set aside only a few floors for office use. However, the developer has since increased the office stock, which now occupies the second to thirteenth floors. Some floors are offered for rent.

*Asking selling prices are of USD 5,700 per SQM (on the 10th floor).*



# Focus Verdun

*Land of opportunities*

*Verdun is a versatile, multi-faceted address that enjoys a very solid reputation. It is a jigsaw puzzle of residential, commercial, and business hubs. Over the past few months, several residential projects were introduced on the market and ABC Verdun Mall is planned for 2017. However, in the medium term, the neighborhood remains dominated by its commercial and office structure.*

*Verdun Street is bounded by 58 plots on either side of its 1,370-meter-length. About ten of these (around 17 percent of the total number of plots) have strong development potential. Some are vacant (currently used as parking lots) while others have old structures that could be torn down to make room for new buildings.*

*Verdun has two distinct areas that offer very different characteristics: Northern Verdun between Concorde Square and Goodies and southern Verdun from Goodies to Mazraa Boulevard.*



## NORTHERN VERDUN

This end of Verdun is a heterogeneous real estate landscape – a hodgepodge mixture of residential, office, and retail supply, as well as other types of properties: A police station, the Druze Headquarters and Cemetery, the former UNRWA plot, and a few empty plots. Because of these empty plots, the northern end of Verdun offers the most interesting development potential. Several landmark projects dot the area, such as Concorde Square, the BLOM Bank Headquarter building, and the recently completed Verdun Gardens. Dar Al-Handasah will soon have its headquarter offices located on the former Concorde Square parking lot, which it has purchased at the beginning of summer 2014. Several remaining plots that have either residential or office potential can be developed. However, the area is still searching for an identity. Every new project that takes place in the area contributes to giving a more coherent shape to the real estate landscape of northern Verdun. At the moment, selling prices of residential units start at around USD 4,500 per SQM. Offices are more expensive at USD 5,500 per SQM. Retail units sell at USD 12,000 per SQM on ground floor level. These selling prices reflect a land value between USD 2,250-2,500 per BUA.



## SOUTHERN VERDUN

This end of Verdun is the most dynamic. It has a very active commercial structure with a more visible homogeneous continuity. The stretch of road between Goodies to Dunes Center has almost no breaks in the retail supply it offers. A continuous supply is very important to attract footfall to any area, and this is one of the main factors that has contributed to Verdun's tremendous commercial success. Shopping arcades Verdun 730, Verdun 732, and Dunes Center have placed Verdun on the retail map of Beirut. Upcoming ABC Verdun Mall will further reinforce the commercial attraction of the area. If the dynamics are similar to those of the retail market that followed the inauguration of ABC Ashrafieh Mall in Sassine, the mall will most likely revive the commercial activity of the area.

Developing residential properties along southern Verdun Street is not a viable option because of the traffic and noise pollution. Residents prefer to live in neighboring Koreytem or Ain el Tineh, which are quieter, and walk to Verdun for entertainment. The vacant plots are ideal for mixed-use developments, with offices on the upper floors and retail on street level. Over the coming few years, the location of Lycée Verdun will be under pressure for development. It is ideally located with tremendous commercial potential. It risks the same fate as the former St. Joseph College purchased in the 1980s, the location of the future ABC Verdun. Selling prices for offices stand around USD 5,500 per SQM and around USD 14,000 - 15,000 per SQM for retail on the ground floor, reflecting a land value between USD 2,500-2,750 per BUA.

## Land Prices\* in Verdun (USD per BUA)

North – Concorde Square to Goodies **2,250-2,500**

South – Goodies to Mazraa Boulevard **2,500-2,750**

**\* RAMCO's estimated fair market values**

SOURCE: RAMCO SARL – DECEMBER 2014

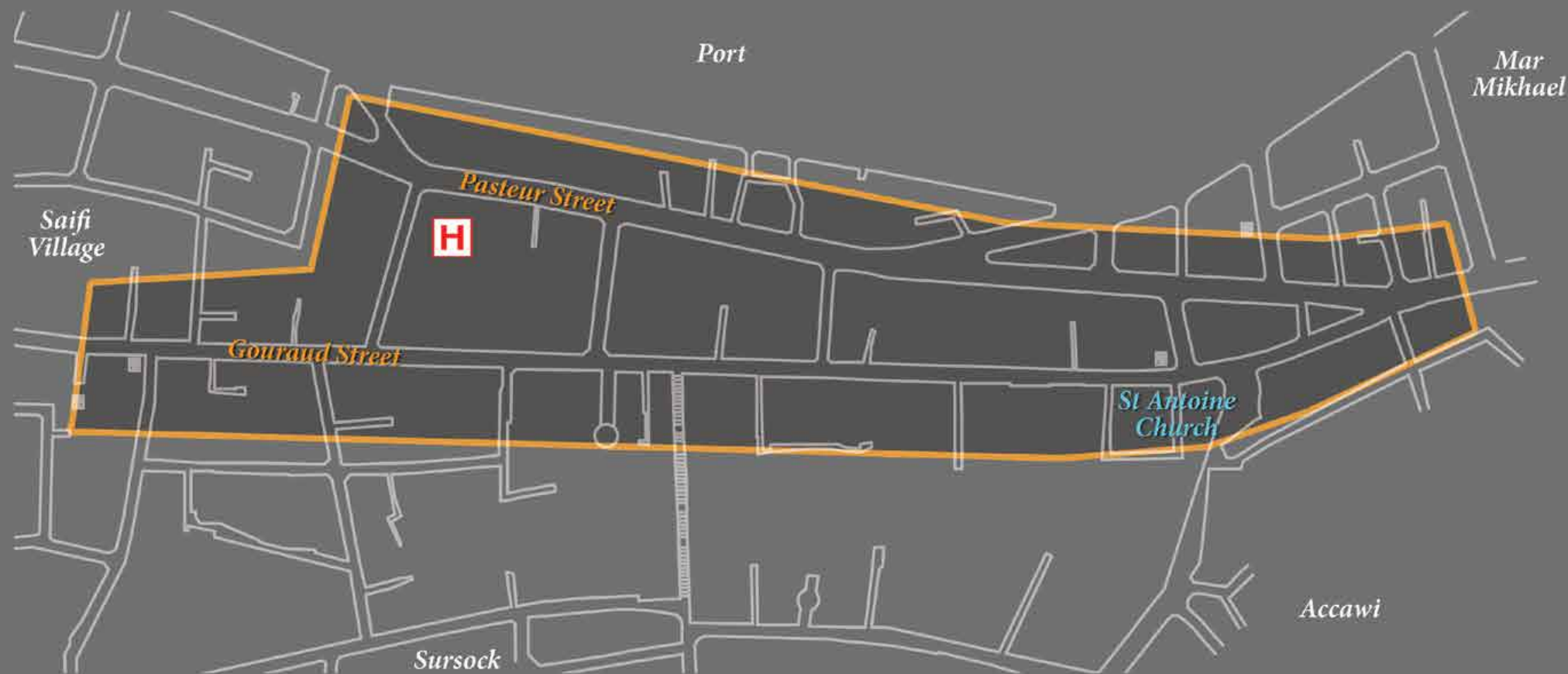


# Snapshot

## GEMMAYZE



Gemmayze is in full transformation. Gone are the nocturnal nuisances; gone are the traffic jams; gone are the partying night owls. Since pubs and restaurants have started migrating toward Mar Mikhael about two years ago, Gemmayze has found its tranquillity of old. With its picturesque traditional buildings, its hidden gardens, its many stairs, and its dead-end streets, Gemmayze is one of the few areas of Beirut that offer such varied settings and vistas. Easy to access and centrally located, it is slowly reestablishing itself as one of the most pleasant residential neighborhoods in the capital. Developers have been quick to take note: More than 55,000 SQM of residential area is currently under construction, offering 161 apartments, along the main two axes of Gouraud and Pasteur streets.



### Gouraud Street

This main entrance into the area of Gemmayze offers very specific architectural charm. The street still counts a number of high-ceiling, arcaded, low-rise, traditional buildings and a few independent Lebanese houses with backyards. With the exodus of the pubs and restaurants towards the eastern end of Rmeil, Gouraud Street is once again calm. Easy to access, traffic flows with relative ease. Gemmayze attracts a new wave of residents: Young bachelors moving into a first home, newlyweds, or investors in search of a property that is easy to place on the rental market. Gemmayze indeed appeals to foreigners taking up residence in Beirut for a few years. Upcoming projects address this trend by offering small apartments between 80 and 200 SQM. Two projects are currently being built on Gouraud Street but several others are in the pipeline, confirming the returning popularity of Gemmayze.

RAMCO's estimated starting selling price is between USD 3,700-3,900 per SQM.

### Pasteur Street

This street is mostly known for its office buildings. It is thus a traditional business address and not a natural residential destination. Residential buildings have made a recent entry on the market. The value of apartments vary depending on their orientation, South or North of the street. Apartments with the highest values are those on the upper floors with views overlooking the Port of Beirut. The lower floors directly overlooking Charles Helou Avenue are too noisy and less attractive. They have limited value, regardless of the quality offered. The street is slowly attracting residential developments. However, since Pasteur lacks the charm of Gouraud Street, selling prices should not start at more than USD 3,750 per SQM. This is particularly true since despite a slight decrease in asking prices during the past two years, sales ratios remain low.

RAMCO's estimated starting selling price is between USD 3,750-4,000 per SQM.





## **ZOOM** The F&B industry drives the retail market

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*The commercial landscape of Beirut evolves apace with restaurant operators' appetite. The F&B industry undoubtedly dictates the development of commercial hubs across the capital. F&B operators move in tandem from one location to another. Growing demand for a particular area has immediate repercussions on asking rental values. When they migrate, they also do it as a group, and prices drop sharply. Within a few months, a neighborhood could go from being a slumbering residential area to a buzzing attraction hub to night prowlers. It is a mad race then between established and startup F&B concept operators to find the best locations – at the best deals. The mood of the F&B chiefs makes or breaks a particular location. Retail areas move at the rhythm of their whims – as testify the following four examples: Maarad Street, Gemmayze, Mar Mikhael, and Badaro.*



# ZOOM

## The F&B industry drives the retail market

AREA / STREET	AVERAGE ERV* (USD/SQM/yr)	GROWTH TREND
MAR MIKHAEL	400 – 700	➔
MAARAD STREET	300 – 400	➔
BADARO	300 – 400	➔
GEMMAYZE	200 – 300	➔

\* AS PER RAMCO'S ESTIMATES  
SOURCE: RAMCO SARL – DECEMBER 2014



### AGONIZING MAARAD STREET

It seems like a different era when Maarad Street was the touristic showcase of downtown Beirut. The street now looks sadly empty. For the past several years, retail units have been losing their tenants. Restaurants and cafés closed one after the other – today, more than twenty units are on the market. The fatal mistake of Maarad Street was to have oriented all of its supply toward mass-market F&B industry. It became heavily reliant on middle-market Gulf tourists and was thus grievously affected by the tourism crisis that has hit the country in the past several years. The first few restaurant operators to have moved away from Maarad Street set in motion a mass exodus that drained the area from its leading brands: Costa, Le Relais de l'Entrecôte, Scoozi, Casper & Gambini's, Dunkin Donuts all left within a few months from each other. McDonalds was the last to give into the pressure. In our opinion, rental values should not exceed USD 300-400 per SQM per year on the ground floor.

### THE WANING LIGHT OF GEMMAYZE

Just a few years ago, Gemmayze was still the favorite nocturnal destination of Beirutis. Following the inauguration of Paul in 2002 and Foodyard Restaurant in 2003, Gouraud Street knew a tremendous boom. Gemmayze became the place to see and be seen. Restaurants and pubs mushroomed. Some operators made a fortune in a very short period of time. Within a few years, about a hundred outlets found their way into Gemmayze, snatching up the last, smallest units available along Gouraud Street and its secondary axes (Pasteur, Mar Maroun, Youssef el Hayek, and Sainte Famille streets). Slowly, nightlife hotspots shifted towards Makdessi Street in Hamra, Uruguay Street in BCD, and especially Mar Mikhael. Gouraud Street has lost its attraction. More and more restaurants are deserting the area, thus increasing the stock of vacant units. Even the resulting drop in rental values, however, has not succeeded in reversing the trend. Ground floor levels currently post a rental value of USD 200-300 per SQM per year. Prices are back to their 2005 and 2006 levels!

### MAR MIKHAEL AT ITS PEAK

This "little village" with its small alleys, low-rise, traditional buildings, and pleasant urban setting is the nightlife destination of the capital. Just a few years ago, no one would have placed a single penny on the neighborhood. F&B professionals had all their attention focused elsewhere. However, some enterprising few foresaw the area's potential and were the first to reap in the area's rapid growth. Today, Mar Mikhael attracts the players of the F&B industry. Everyone wants in on the area's success. Demand by far exceeds existing supply. This under-supply has naturally led to a sharp rise in prices, which have doubled in two years. Rental values currently vary between USD 400-700 per SQM per year on ground level, depending on the size of the unit and its exact location – to the delight of property owners.

### BADARO IN THE MAKING

Badaro is awakening, from long years of slumber. With Monnot completely on the sidelines, Gemmayze in decline, and Mar Mikhael too expensive, newly refurbished Badaro Street offers some tempting opportunities to F&B professionals. Since 2014, several renowned F&B brands have been looking for appropriate locations in Badaro. This sudden interest in the neighborhood is mostly due to the high prices of Mar Mikhael. By comparison, rental values that vary between USD 300-400 per SQM per year are extremely attractive. Badaro offers other advantages: The main street is flat, easy to walk; it is a known business address, with a large potential clientele; and it has a number of very attractive outlets. The area is also easy to access from the different parts of the capital. Within the difficult economic context, affordable Badaro is a welcome godsend to industry professionals.



# BCD Special

## SAIFI VILLAGE

*One of the earliest residential neighborhoods to be completed at the reconstruction of Beirut Central District (BCD) at the end of the 1990s, Saifi Village was a quasi pilot project to test the potential of downtown Beirut. Located at the south-eastern end of BCD, in the old carpenters' quarter of Saïd Akl Street, Saifi Village is a highly atypical residential neighborhood of Beirut. Well restored and immaculately planned, Saifi Village is unique in Beirut. It was immensely popular and vacancies were extremely rare. However, despite its many advantages, Saifi Village is not totally unaffected by the general slowdown in the real estate market of Beirut. Selling prices are stable (sometimes on a slight decrease), rental values are dropping, more and more retail units stand vacant, and two projects have been altered or put on hold.*



### FAIRY-TALE VILLAGE

Saifi Village is a very original urban concept that claims a differentiating edge: It is one of the only residential neighborhoods in the capital to associate modern living to heritage buildings on such a large and carefully planned scale. Heritage buildings have been refurbished to provide modern, comfortable interiors, while they retain their traditional architectural look. The village offers a highly secured residential space with security agents prowling the streets and guarding building entrances, which gives Saifi Village the feel of a semi-private compound in the heart of the capital. The urban landscape is well groomed, with paved roads, picturesque narrow streets, well-marked parking spaces, private gardens and squares, and the full array of street furniture. If the heart of Saifi Village is pleasant, living on the borders of the neighborhood is less attractive. Enclosed by wide traffic axes on all of its four sides, peripheral buildings are very noisy. Still, selling prices have more than tripled during the past 14 years. Between 2000 and 2001, prices varied between USD 1,650-2,500 per SQM, say an average of about USD 2,100 per SQM. In 2014, starting prices stand at between USD 6,000-6,500 per SQM on the first floor.

#### Saifi Village Selling & Rental Values\* (USD / SQM/YR)

Residential selling prices	6,000 – 6,500
Residential rental values	50 – 200
Retail rental values	250 – 500

\* RAMCO's estimated fair market values

SOURCE: RAMCO SARL – DECEMBER 2014



### RESTIVE RETAIL

Since 2004, the retail structure of Saifi Village has been focused on the arts, with the Art Gallery and several exhibition halls, antique stores, and avant-garde design boutiques. It proved to be a winning strategy, as Saifi Village monopolized the creative scene of Beirut for several years. Unfortunately, during the past several years, the gloomy economic mood has spilled into the world of the arts. More and more boutiques have been closing shop and there are no new tenants to reclaim the vacated spaces. Whether on the inner streets of Saifi Village with limited local visibility, or along its highly visible outer buildings, many retail units are empty. On the western façade of Saifi Village along Damascus Road, more than half of the boutiques in one building are currently empty.

### A FUTURE IN THE MAKING

District//S, lying just across the street North of Saifi Village, is an extension, a replica of the concept: A residential compound made up of a collection of low- and mid-rise buildings, connected by a network of narrow passages and public squares, the private development offers apartments on the upper floors and retail units on street level in a relatively secluded context that is still open to the outside world. The possible extension of Saifi Village, however, must take place along its existing borders, since the center has been fully developed. The noise pollution along the Ring Road, George Haddad Avenue, and the Debbas Square hamper any prospects for a possible residential development. The current trend veers rather toward office projects. The best illustration of this trend is a project located on the corner of Tabaris and George Haddad Avenue, which was placed on the residential market for several years. Discouraged by the low sales ratios, however, the developers have decided to convert the project from residential to office usage. Another building located on the northern edge of Saifi Village was initially designated as a hospital building. The project was abandoned several years ago and was finally bought by a local bank to be reconverted into offices. Saifi Village thus looks like it has crystallized a residential nucleus, around which a business sector could be developing.





## ramco in the news

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## WHAT WE WROTE

### In l'Orient le Jour

The early months of the year began with a shy improvement in the market that was reflected in a slight upward shift in the main indicators of activity, such as construction permits, value of real estate transactions, etc. (21 June 2014). The degradation in the security situation since and the prolonged vacancy at the head of the State have strained the market, which is back to its state of stagnation (27 September 2014). The market has responded along several fronts: Some niche products with a view of a garden sell well (22 July & 27 September 2014); developers offer smaller sizes to remain within accessible budgets (8 August 2014); and some owners agree more easily to discount their prices, particularly in the retail segment (3 September 2014) and offices in downtown Beirut (13 December 2014). Still, apartment prices have increased on average by 60% between 2008 and 2014 (24 October 2014), with seafront properties starting at no less than USD 7,000 per SQM (15 November 2014).

### In The Executive

In our June 2014 opinion piece, we highlight the flaws of the new measurements law which bills every centimeter of built-up area to the buyer – including shafts, common areas, flowerbeds, etc. In August 2014, we argued that price increments per floor should not be a systematic USD 50-100 per SQM per floor, but a function of the quality of the neighborhood and the view.

## WHAT WE SAID

"The land market of Ashrafieh does not wane, regardless of the local and regional security situation."

*Charles Malek is the most expensive street of Ashrafieh – Le Commerce du Levant, March 2014*

"The average price of an apartment in Beirut is currently very high."

*Real estate sector in Lebanon holding steady – Ekaruna, April-May 2014*

"Expatriate Lebanese buy [in Lebanon], regardless of the situation, especially in the capital Beirut. Some want to invest sums that vary between USD 50 million and USD 400 million in residential and non-residential projects."

*Makarem: We are optimistic regardless of crises – Iqarat, 1 October 2014*

"It cannot be said that real estate brokers play a role in boosting the real estate sector but the presence of a real estate association [REAL] helps in regulating the market."

*Real estate indicators post growth – Al Jounhouria, 6 June 2014*

"Market stagnation is partly due to some buyers' expectations for a drop in prices. However, since prices will not drop, I expect a return to normality and I advise buyers who are still hesitating to buy now because time is not on their side."

*The real estate sector is relatively stable while it awaits presidential elections – Annahar, 10 June 2014*

"There is still a large number of allotted plots of land for sale and demand is high [...] particularly in Beirut."

*Landlords: buy property before it is too late – Loubnan 24, 10 June 2014*

## WHERE WE APPEARED

The Founder & Managing Director of RAMCO sarl, Mr. Raja Makarem, was interviewed by Arab Economic News on 18 November 2014 on his views of the real estate market in Lebanon and its future development prospects.



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