

'Too soon' to expect an improvement in Lebanon's real estate sector

November 16th, 2016



Mansour noted that demand for real estate would pick up when concrete changes took place in Lebanon, such as the end of the Syria war, a drop in unemployment rates, and an increase in tourists. (Shutterstock)

The election of a Lebanese president after a 2-1/2-year deadlock will definitely have a positive impact on consumer confidence, but demand in the real estate sector needs time to pick up, developers and brokers said. "The election of a president creates a positive outlook for the sector but it is too soon to see any increase in demand because the country still lacks economic stability," Karim Makarem, managing director at Ramco, a real estate advisory firm, told The Daily Star. "Also, consumers are still waiting for the formation of the government, and the parliamentary elections, to be encouraged to buy real estate," he said.

Makarem said economic growth and stability would not occur simply with the election of a president – Lebanon needs real consensus on the various challenges facing it.

"We are still facing real problems in the country such as electricity, water and transport, not to forget that the trash crisis hasn't been solved completely until now," he said. "This does not really give a beautiful image of Lebanon, which would probably stop expatriates and foreigners from investing in the sector," he added.

Makarem noted that the economic slowdown in the country would not encourage companies to expand their offices for the time being. "Companies will want to see economic stability before investing more in the country and incurring additional expenses," he said.

As for individual demand, Makarem said people usually preferred to rent apartments and not pay high interest rates on real estate loans if the economy is not yet stable.

"Some people prefer to rent until they make sure that the economy has become stable, especially that interest rates on loans are not too low," he said.

A report issued by Byblos Bank two days ago showed the Byblos Bank Real Estate Demand Index registered a decline by 9.8 percent in the third quarter of 2016 compared to the same period in 2015. The index is a measure of local demand for residential units and houses in Lebanon.

"The results of the third quarter of 2016 confirm the trend of very low demand for residential real estate in Lebanon, as the same factors that caused the original decline in demand persisted," the report said, quoting Nassib Ghobril, head of the Economic Research and Analysis Department at Byblos Bank. "Household sentiment will have to improve substantially and over a sustained period of time in order for real estate demand to pick," the report added.

Layal Mansour, professor of economics at LAU and AUB, said that the purchase of property was considered an investment, and the decision to invest in this sector depended on many factors, including stability, income and employment.

"When you purchase real estate, you continue paying for it for several years, and you do not consume it like other products, so you need to make sure that you have a proper income to make such an investment," she said, adding that people's income, and especially that of expatriates, dropped in the past year due to the decrease in oil prices. "All these factors make it normal to witness a drop in demand on real estate."

Mansour added that another factor behind the lack of demand for real estate was the increase in the unemployment rate in Lebanon over the past few years. "How can people demand real estate if the unemployment rate is increasing and jobs are not stable?" she asked. Mansour noted that demand for real estate would pick up when concrete changes took place in Lebanon, such as the end of the Syria war, a drop in unemployment rates, and an increase in tourists, especially from the Gulf.

George Chehwan, chairman of Plus Holding, reiterated Mansour's remarks, saying that demand for real estate was not only triggered by the improvement in the political situation, but was mainly dependent on the purchasing power of local residents, expatriates, and the willingness of tourists to buy.

"It is too soon to assess the change in demand on real estate following the election of a president, but I can say that one of the most important factors impacting this sector is the decision by other countries, especially in the Gulf region, to allow their people to come and invest in Lebanon," he said.

Chehwan said the election of a president would certainly have a positive impact by giving people optimism, but the demand for real estate would not change overnight.

"We have been having a deadlock for 2-1/2 years, so the situation will not change quickly," he said. "We need some time to witness improvement in the market, and the formation of the government will surely increase confidence further."

Nadim Kazma, a broker and owner of Real Establishment, said more time was needed to assess the change in demand on real estate following the election of a president. "We already witnessed some activity two or three months before the election, but since then, demand has remained the same," he said.