

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

Q3 . 2011

## The Quarterly

INFORMATION & INSIGHT  
INTO THE LEBANESE REAL ESTATE MARKET



*Our aim is to continue developing our knowledge base and provide our clients with quality market information and analysis to meet their ever more sophisticated needs.*

**KARIM R. MAKAREM**  
Partner & Director

## Letter from the director



It has been almost a decade since I returned from London, having worked with leading companies in the real estate field. What I found most lacking upon my arrival in Lebanon, was accurate and reliable market information. It is this access to information that for me differentiates most the real estate sector in Lebanon and the U.K.

RAMCO took this as a challenge, and has since developed a dedicated market research and consultancy team that understands the country, the sector, and its players, and strives to understand every aspect of the real estate market. Our knowledge and insight have since resulted in some of the largest institutional / private investors and development companies seeking our services in planning and executing their investment strategies.

Indeed, the real estate market has evolved dramatically over the last ten years, from a simple and homogeneous sector to one with stand-alone yet diverse sub-sectors and niches. The markets for land, residential, offices and retail often perform independently to one another. Though one may be down, another may well be booming.

*Our aim is to continue developing our knowledge base and provide our clients with quality market information and analysis to meet their ever more sophisticated needs. To make our market data more accessible to a wider audience, we have now decided to publish and distribute periodical in-depth studies covering the various market sectors, beginning with the office sector in Beirut. We invite interested parties to contact us for more information.*

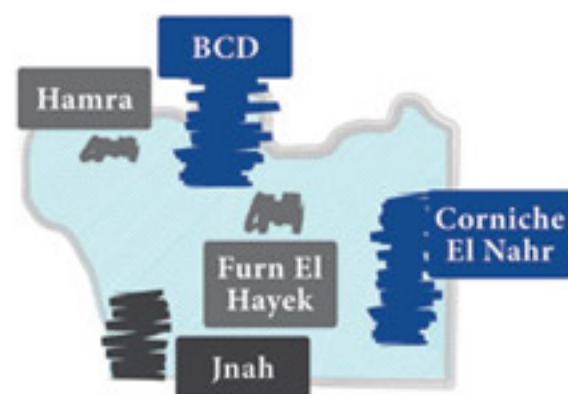
I hope that our third edition of The Quarterly continues to provide its readers with the insight and satisfaction that much of the feedback on its two predecessors has indicated. Your comments are always welcome and much appreciated.



# Top Five Land Destinations

## WHERE DO DEVELOPERS BUY LAND?

*Land in Beirut is becoming scarce. It is particularly difficult to find undeveloped land in prime areas, with Beirut Central District (BCD) being the only notable exception. Two options remain open to prospective developers. Some are starting to invest in projects in under-developed peripheral areas of the city, such as Corniche el Nahr, just outside the heart of Ashrafieh or Jnah. Others prefer to build in prime central locations. To do that, they have to replace existing old buildings with new projects – a necessary but sometimes controversial strategy.*



### PRICE RANGES OF BUA OF LAND (USD/sqm)

Corniche el Nahr Ashrafieh	800-1,400
Furn el Hayek	1,800-2,000
Hamra	1,800-2,200
BCD	3,500-5,000
Jnah	1,200-1,500

SOURCE: RAMCO - SEPTEMBER 2011

*The price of land is quoted in terms of allowable Built-Up Area (BUA). It is calculated as the total sales price of the land divided by the total sellable built-up area.*



## CORNICHE EL NAHR – ASHRAFIEH

Long neglected by developers and scorned by potential buyers, Corniche el Nahr is witnessing revived interest from both investors and end-users. Contrary to other parts of Beirut that are becoming saturated, Corniche el Nahr is one of the last remaining land reserves of Beirut, with thousands of square meters of raw land that is easy to develop. The relatively affordable sales prices of the finished apartments make the area interesting for home-buyers.

Land price: USD 800-1,400 per BUA

## FURN EL HAYEK - ASHRAFIEH

This is the prime residential address of Ashrafieh, in very high demand by the local social elite. However, the area is already densely populated and has very few empty plots of land suitable for development. Excessive demand is thus putting strong pressure on built-up plots, which is resulting in the sometimes savage destruction of vintage houses. As these houses are often surrounded by gardens, their destruction also results in decreasing the already scarce green spaces of Beirut.

Land price: USD 1,800-2,000 per BUA

## HAMRA

With its renewed popularity over the last few years, Hamra has reasserted itself as one of Lebanon's most popular shopping destinations. More recently, Hamra has also been buzzing with renewed food and beverage (F&B) attractions. This makes the area predominantly attractive for commercial developments, such as shopping centers and hotels.

Land price: USD 1,800-2,200 per BUA

## BEIRUT CENTRAL DISTRICT

BCD posts some of the most expensive land prices in Beirut. It also happens to be the city's largest reserve of prime, undeveloped land. Some plots on the seafront of Western Beirut (Jal el Bahr, Ramlet el Baida, etc.) post similar land prices but offer a far less attractive urban environment. Another advantage of buying in BCD is that Solidere does not charge for the BUAs of balconies and therefore, this offers buyers greater value for money.

Land price: USD 3,500 per BUA (inland) and USD 5,000 per BUA (Beirut Waterfront District)

## JNAH

The appeal of Jnah has never waned. It is one of the rare areas of Beirut that offers wide stretches of flat, undeveloped, empty plots of land. The area, however, attracts a closed niche market – both of developers and end-buyers. It is the same group of investors who repeatedly build in the area and who sell to a tightly-knit network of expatriate Lebanese, mostly living in Africa. The lower exploitation ratios explain the relatively high price of the BUA of land.

Land price: USD 1,200-1,500 per BUA



**Focus**  
Studios,  
a Market  
in the  
Making





# Focus

## Studios, a Market in the Making

Less than a dozen projects offer units between 50 and 85 sqm (including common areas). That is less than 2% of the total number of projects taking place in Municipal Beirut. Although still a very marginal niche market, studios have a ready clientele – provided they are designed intelligently and located in neighborhoods with specific characteristics.

### SUPPLY

Studios represent a very small minority of residential supply. Developers are still testing the pulse of the market before introducing a brand new product to a clientele that highly associates social standing with the size of their home. The first rule to follow is to locate studios sensibly: they are certainly not to be built in middle and low-income neighborhoods. Studios seem to be best-adapted to areas closer to the upper tier of the market, with criteria, such as, amongst others, being close to BCD and offering a vibrant lifestyle. Gemmayzeh and Hamra are ideal for such products, for instance. Ashrafieh already has the highest count of projects offering studios, particularly around the ABC Mall.

### COMPENSATING FOR SIZE

Developers must make most of the small sizes of studios to attract clients. Typically, they choose locations with plenty of natural light. They also design the layout in a way as to maximize the unit's livable space: there is no room for hallways, doors, and divisions. Typically, the living area is a single open floor plan, with an open plan kitchen. Ceiling heights may be increased to alleviate the feeling of being cramped in too narrow a space. Obviously, buyers of a studio must forgo the obligatory maid's room and guest toilet.



### PRICES

The sales price per sqm is slightly higher for studios than it is for larger apartments. The cost of construction is indeed higher for smaller units than for larger ones (cost of sanitary equipment, kitchen, and parking space). As it is a niche product with such limited supply, higher asking prices can be justified. Prices per sqm tend to be about 15-20% higher than the average starting sales price of larger units in the same neighborhood.

### DEMAND

Studios are highly sought after by the local and expatriate community as a small pied-à-terre in Beirut. Demand usually stems from the wealthier strata of students, young professionals just moving out from the family home, young divorcees, or expatriates in search of a small residence in Beirut. Studios are also a lucrative investment option, as they can be easily rented to foreigners on a short stay in Beirut.

### OPPORTUNITIES

Studios reflect a certain lifestyle. They cater mostly to young and trendy city dwellers. Areas that offer a variety of entertainment opportunities (restaurants, clubs, pubs, and other outlets) and a full array of services, easy to reach on foot, are ideal for developing studios. Such is the case with Gemmayzeh and Hamra, for instance. Hamra has an even bigger advantage: its proximity to AUB and AUBMC provide a ready client base of students, doctors, and professors in search of a small living space located within walking distance from their workplace or campus.



# Snapshot

## GEMMAYZEH



### The Central Core

The initial boom that revived the area of Gemmayzeh began in 2004 on the stretch of Gouraud Street lying between the former iconic Alwet el Ezez (now Leila Café) and another local landmark, Le Chef Restaurant. A second wave of development predominately in the food and beverage industry pushed growth eastwards, with the opening of La Tabkha and Couqley. Today, there is no break between Leila Café and Couqley. This central core of Gemmayzeh is the most dynamic and the most in demand in the area, with very few availabilities. Recently, however, it has come in direct competition with a booming Hamra. Retail Estimated Rental Values (ERVs): USD 600-700 per sqm.



### Paul Café and its surroundings

The western end of Gouraud Street has very few vacancies. Around Paul and Leila Café, there are a number of listed buildings and a school, limiting the number of available units. Boosted primarily by Paul Café and its proximity to BCD, that end of the street is the most expensive in Gemmayzeh. The area has much authentic charm and attracts high-end brands – there is talk, for instance, that a famous restaurant/delicatessen will soon be opening across from Paul.

Retail Estimated Rental Values (ERVs): USD 800-1,000 per BUA.

### Peripheral hubs

The popularity and success of the central stretch of Gouraud Street is slowly spreading to adjacent neighborhoods that are trying to graft themselves to the popular central “Gemmayzeh” destination. Pasteur Street is such an example. First with Mandaloun Grill and now with Rosé, Pasteur is trying to cater to the crowds drawn to Gouraud Street. The eastern end of Gouraud Street has still not found its proper place on the retail scene. It is a gap in the continuity between Gemmayzeh and Mar Mikhael further east. Rental values are generally between 20-30% lower in the peripheral hubs than those of the central core of Gemmayzeh.

Retail Estimated Rental Values (ERVs): USD 500-600 per BUA.



# Zoom Hamra Offices

## BEIRUT'S ECONOMIC CENTRE

With a stock of over 50 purpose-built office buildings, Hamra is still the economic nerve center of Beirut. Some buildings have become landmarks on the commercial landscape of the city, despite being a relatively aging stock. Overall, however, the office stock of Hamra dates back to the area's golden years of the 1960's and is in dire need of a thorough uplift. The best known and most popular business center in Hamra is Gefinor: it offers parking facilities and it avoids some of the traffic congestion closer to the heart of Hamra.





# Zoom Hamra Offices

POPULAR BUT  
AGING STOCK

## SUPPLY

Hamra, the traditional commercial heart of the city, has not been able to revamp its aging stock. The area's landmark office buildings have indeed taken a battering during the civil war years. A few known addresses remain, but they are also in need of a facelift. The bulk of the office stock dates to before the 1975 war and much of it is in such a dilapidated state that it is unable to attract tenants. Still, with approximately 50 buildings strictly dedicated to office use, Hamra remains to date the area with the largest concentration of commercial space outside BCD.

## DEMAND

Demand for office space in Hamra is almost exclusively local, and primarily from the medical community. A large number of medical doctors practicing in the area's medical centers and hospitals (AUBMC, CMC, Najjar, Khoury...) also have a private practice. There are still a number of local small companies and institutions that have remained in Hamra from pre 1975. Large local companies and international institutions tend to stay away from the congested traffic of Hamra and its lack of parking spaces.

## ASKING PRICES

Well maintained office stock now posts an asking rental value of between USD 150 to USD 225 per sqm per year. Older stock posts an asking rental value of USD 100-150 per sqm per year. However, even at these low rates, many offices do not find takers if they are in a particularly bad state of disrepair.



## HAMRA OFFICE STOCK AT A GLANCE

TOTAL NUMBER OF OFFICE BUILDINGS (APPROX.)	50
PRICE OF OLD STOCK (USD/sqm/year)	100 - 150
RENTAL VALUE OF WELL-MAINTAINED STOCK (USD/sqm/year)	150 - 225
RENTAL VALUE OF GEFINOR (USD/sqm/year)	250 - 350
STARTING SALES PRICE OF NEW CLINICS (USD/sqm)	4,500 - 4,750

SOURCE: RAMCO SEPTEMBER 2011

## OCCUPANCY LEVELS

Occupancy level is highly correlated to the state of buildings as well as to the size of the office. Sizes ranging from 50 to 100 sqm post high occupancy rates as they are much sought after as medical clinics. Many large offices (250 sqm or more) are vacant as they cater to a clientele not particularly interested in being present in Hamra.



## BCD special

Saifi Village has been the most successful neighborhood in the Beirut Central District, in terms of being a fully and permanently inhabited area that has succeeded in attracting visitors and shoppers. Over the last few years, it has become a lively micro-cosm with a very distinctive cachet – so much so that other developers have tried replicating that success.



### RESIDENTIAL TENANTS

There is very high demand on apartments in Saifi Village by both local and foreign residents. Offering a calm and charming environment, apartments in Saifi Village are easy to rent. Their sizes, varying between 170-200 sqm, make them ideal for a pied-à-terre in Beirut. Availabilities are therefore very rare and rental values are kept relatively high at USD 150-200 per sqm per year.

### SAIFI VILLAGE KEY FIGURES

PERIMETER **LESS THAN 1 km**  
 TOTAL FOOTPRINT AREA **58,000 sqm**  
 NUMBER OF EXISTING BUILDINGS **45**  
 PUBLIC SQUARES **2**  
 PLOTS UNDER DEVELOPMENT **2**  
 PLOTS AVAILABLE FOR FUTURE DEVELOPMENT **4**  
 AVERAGE RENTAL VALUES (USD/sqm/year) **150 - 200**

SOURCE: RAMCO - SEPTEMBER 2011



### QUARTIER DES ARTS

The Master Plan for BCD sets Saifi Village as a specialized artistic neighborhood. The cachet is still valid and enforced by the fact that Solidere actually owns many of the retail units in Saifi Village, and therefore able to control the tenant mix. The area's cachet has encouraged similar businesses to seek locations within the vicinity of each other, beefing up demand by such types of businesses. Occupancy is thus very near 100% across the retail stock of Saifi Village. The only drawback of this strict policy on tenant mix is that it has resulted in a shortage of F&B outlets.

### REPRODUCING THE MODEL

There are still four plots of land in the area of Saifi Village that can still be potentially developed. Three are currently being utilized as parking lots. Solidere is already developing a mixed-use project on plot 178, which will contain more than 10,000 sqm of mixed office, residential, and retail space. Across Gouraud Street to the north, another project, District/S, is trying to replicate the success of Saifi Village by offering a product organized along very similar urban lines. However, what made Saifi Village so popular was its ability to create a self-contained, lively and distinctive environment that set it completely apart. Such a level of success might be difficult to emulate indefinitely.



ramco  
in the  
news

www.ramcolb.com

## WHAT WE WROTE IN L'ORIENT LE JOUR

Unsold apartments accumulate. More than 45% of buildings completed in 2010 still have vacant apartments (12 July 2011). Sales are affected by high asking prices, location, design, apartment sizes, and floor plan layout. Still, there are more projects under construction in Ashrafieh now than at any time in the last several years (15 August 2011). Around 125 projects are under construction in Ashrafieh, representing nearly 2,700 apartments and 830,000 sqm of BUA. Apartments with appropriate sizes and prices in some new locations find buyers. On the other hand, the office and retail markets are doing well. Offices in BCD post a record high occupancy rate of 80% (24 June 2011). Office demand is driven by small local companies, searching for 100 to 200 sqm. BCD tops the chart in asking prices at USD 325-350 per sqm per year for Grade A stock. The Beirut Souks (25 July 2011), which has recently celebrated its one-year anniversary, is already Lebanon's leading destination for luxury shopping, at USD 1,200 to 1,800 per sqm per year. Contrary to what was reported by Cushman & Wakefield, Hamra retail is also booming (9 September 2011). We also published in the August 2011 issue of Le Commerce du Levant a special real estate report on where to buy new apartments in the major neighborhoods of Municipal Beirut.

## WHAT WE SAID

"Asking prices that were way above fair market value have now dropped to more realistic prices."

**A long overdue correction in property market – FT.com, 7 June 2011**

"There are buyers who pay approximately 20% more than the real market value of land."

**Does money laundering play a role in the growth of real estate prices? – Al Joumhouria, 16 June 2011**

"Solidere exports price hikes to four surrounding areas: Saifi to the east, Bachoura/Monnot and Zokak el Blat to the south, and Kantari to the west."

**Solidere is the reason for inflation – Al Akhbar, 12 August 2011**

"Demand exists for smaller apartments with sizes of 100 sqm to 250 sqm at prices ranging between \$500,000 and \$800,000 each, while demand for large and expensive high-end apartments in prime addresses has been limited."

**Real estate market hit by domestic and regional political uncertainties – iloubnan.info, 13 August 2011**

"The secret [to success] lies in offering the right sizes at fair market value."

**RAMCO: The worst quarter Lebanon has been through – Lebanon Files, 19 August 2011**

"The real estate market today is stable rather than stagnant."  
**Is property ownership a privilege or a right for all social strata? – Al Safir, 24 August 2011**

"The market is not stagnant as it appears to some, despite a slowdown resulting from the general political situation, which has started to affect the market for the first time in five years."  
**Real estate in Lebanon has entered a slow period – Annahar, 29 August 2011**

"This year's slowdown in the real estate market is due to the fact that the price increases of the past few years are currently being absorbed."  
**Real estate activity declines in the first half of 2011 – Al Mustaqbal, 2 September 2011**

## WHERE WE APPEARED

Raja Makarem was hosted by Khaled Abu Chakra on Al Mustakbal on 23 August 2011 and appeared on Al Iktisadiyah al Saudiah (ABS TV) with Maya Hajj on 15 September 2011 and on Dubai TV on 23 September 2011.

