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Developers plan \$1B fund to ease real estate slump



In the face of a struggling Lebanese real estate market, a group of real estate developers in the country has decided to take steps to help ameliorate the situation. The group plans to create a special fund aimed at buying some of the unsold apartments or properties whose owners owe debts to the banks and then market them to those willing to buy them either in Lebanon or abroad.

Real estate developers argue that the crisis started when the Syrian war broke out in 2011 which apparently scared off many potential buyers and investors.

Ramco real estate advisers estimates that there are 4,000 unsold luxury apartments in Beirut with total size of 1.2 million square meters.

The size of these apartments ranges between 350 square meters to 600 square meters.

The price tag of these units varies between one location and another but the minimum asking price for these apartments is not less than \$5,000 per square meter and in some cases it can go up as high as \$10,000 per meter.

Massaad Fares, one of the major real estate developers, plans to launch the \$1 billion investment fund in mid-October of this year after receiving approval from the Capital Market Authority which is under the jurisdiction of the Central Bank.

"In principle, the Legacy Central Fund will be launched in mid-October with the aim of raising \$1 billion. But we will first start with \$325 million and hope to reach the second and third phase in the future," Fares told The Daily Star.

The idea behind this fund is to buy off some of the apartments from the developers and owners who are unable to sell them or have debts to the banks.

"We are in the process of raising the fund. We got the approval from the CMA to proceed with this project. Our target is \$1 billion but have divided it into three parts and each part is \$325 million," he said.

But Fares admitted that the real estate sector has been suffering a crisis since 2011 when the Syrian conflict broke out.

He added that the real estate crisis was further exacerbated when the subsidized housing loan program was suspended until the authorities are able to raise fund for this program.

"But the subsidized housing loan program does not represent a big percentage of the unsold houses in Lebanon. We are talking about 5,000 small apartments out of 35,000 housing units each year," Fares said.

He added that in view of the economic crisis the construction of houses have slowed down over the past few months.

According to the Order of Engineers in Beirut and Tripoli, construction permits in Lebanon in the first seven months of 2018 declined by 20.1 percent compared to the same period of 2017.

The decline was mainly attributed to the economic slowdown and the sharp drop in property sales in most regions across the country.

But Fares insisted that Lebanon will not face a real estate bubble as in the case of the United States in 2009.

"The country is very small and the supply of land for construction is shrinking every day. Eventually, we will recover from this crisis. But we want the government to offer incentives to investors such as reduction of registration fees," he added.

Echoing similar views, Raja Makarem, the chairman of Ramco real estate advisers, said the real estate sector in Lebanon will recover once the Syrian war is over the reconstruction of this country begins.

He added that it's a buyer's market and this means that the buyer is now setting the price of the apartments he wants to buy.

"But there are still many real estate developers who refuse to sell at a discounted price and prefer to sleep on their properties until the prices pick up again," Makarem said.

He added that one developer managed to sell some of his luxury apartments in Downtown Beirut for \$6,800 per square meter.

"Our estimates there are 4,000 unsold luxury apartments in Beirut alone with a minimum asking price of \$2,000 per square meter," Makarem said.