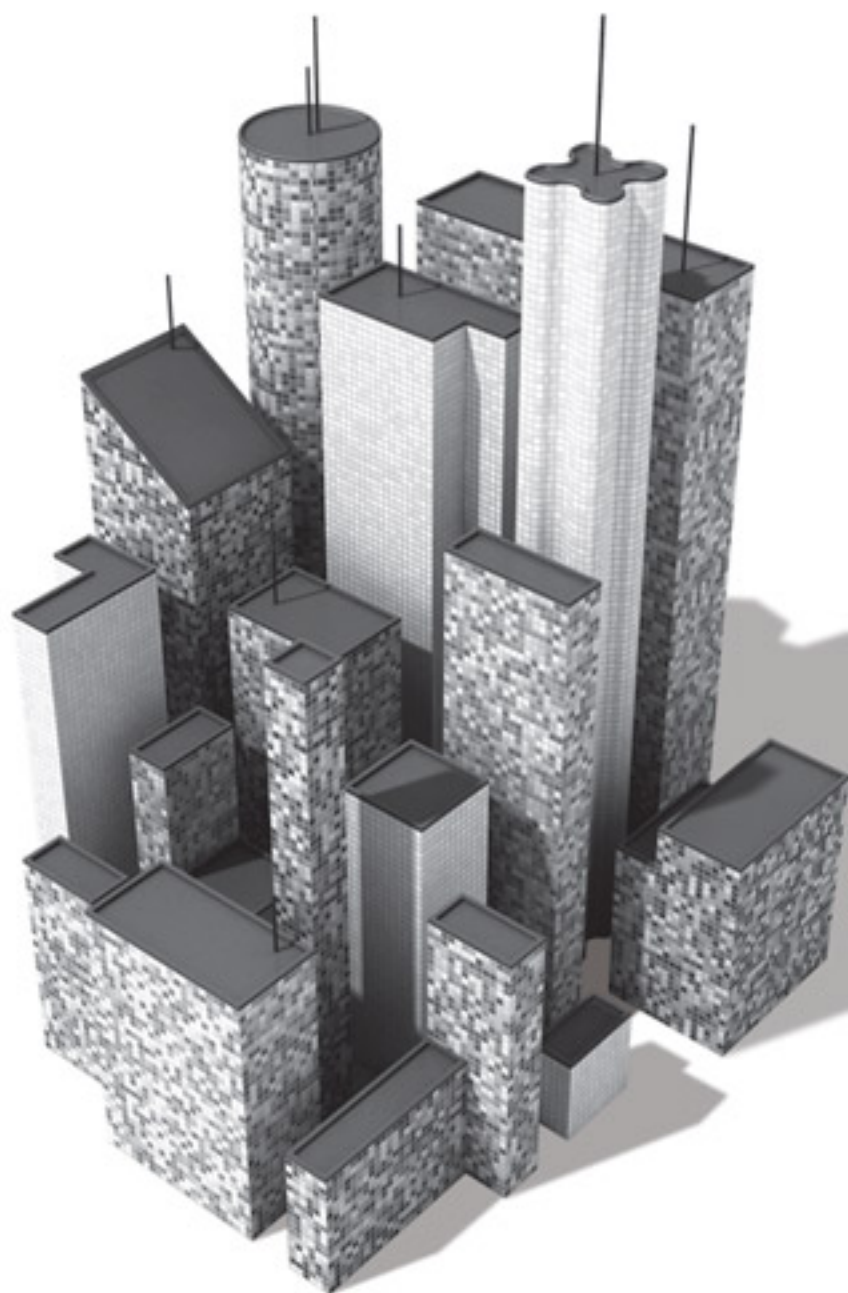


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REAL ESTATE ADVISERS SINCE 1973



The Quarterly

INFORMATION & INSIGHT
INTO THE LEBANESE REAL ESTATE MARKET



The market has entered a phase of more reasonable growth that is both healthy and sustainable, as contrasted with the sometimes unjustifiably rapid growth of the past few years.

The most significant market indicator – demand – still points to a healthy situation: at its fair market price, property has no trouble finding a taker.

RAJA MAKAREM
Founder & Managing Director

Letter from the founder



I am often approached by people, particularly end users, with warnings of an impending 'property crisis' and visions of doom and gloom and of 'bursting bubbles' when it comes to the Real Estate sector in Lebanon. Despite the very difficult times the country in general is going through and the real estate market in particular, this kind of talk is exaggerated, based on a very narrow view of the market, and most importantly, incorrect. It is nonetheless dangerous as it affects people's perceptions and can have a negative impact on people's investment decisions.

In Lebanon's case today it is also simply not true. The country has been through much more delicate periods, and in the worst of cases, the market goes through a long period of stagnation. Our aim is to redress these misperceptions by presenting you with our latest findings, on a quarterly basis, in order to shed some light as to what is actually going on in the market.

After several years of unflinching growth, of double digit increases in prices, and of hyper-activity, the real estate market has recently moved into a more stable phase. Traditionally, the local market was mainly driven by a highly liquid expatriate community, particularly those Lebanese living in the Gulf. The tightening in the availability of funds in most of these host countries has changed purchasing conditions on the Lebanese scene.

The market has entered a phase of more reasonable growth that is both healthy and sustainable, as contrasted with the sometimes unjustifiably rapid growth of the past few years. The most significant market indicator – demand – still points to a healthy situation, although there are two distinct markets, there are takers for land at its fair market value, though the same cannot always be said for residential apartments.

Current market conditions are difficult, leaving no room for the inexperienced developer. It is a market that tolerates no mistakes, as demand has become extremely sophisticated and buyers are trying to identify apartments at below their fair market value, though rarely succeeding. Such conditions make access to accurate information, such as that provided in our current publication, more important than ever.

In this context, and given the difficulty of obtaining exact and up to date information on the performance of the local real estate market, we believe it is our responsibility to re-launch RAMCO's interrupted Market Report, renamed The Quarterly, and provide information on the market as well as insights into future trends.

Each new issue of the RAMCO Quarterly looks into some aspect of each of the four main real estate categories: residential, office, retail, and land, with a primary focus on Beirut and its suburbs. We will provide information on pricing, supply and demand, occupancy levels, and trends in different areas. We thus hope to shed light on the inner workings of the complex Lebanese real estate market and help developers, contractors, investors, and end-users in making well-informed decisions.

Top Five Retail Destinations in Hamra

WHERE DO SHOPPERS & RETAILERS GO?

RETAIL ESTIMATED RENTAL VALUE (ERV) IN HAMRA (USD/sqm/year)

Hamra Street	800 - 1,200
Bliss Street	800 - 1,000
Makdessi Street	400 - 600
Jeanne d'Arc Street	400 - 500
Abdel Aziz Street	400 - 500

SOURCE: RAMCO - FEBRUARY 2011

HAMRA STREET

The thoroughfare that used to be known as the "Champs Elysées" of the Middle East is regaining its glory of the 1960's. It has been witnessing a boom over the last few years, mainly driven by F&B outlets.

It is the preferred destination of both international and local franchises - H&M, Mothercare, Caribou, Starbucks, Costa Coffee, Roadster Diner, Hamra Café, Lina's, etc.

ERV (USD/sqm/yr):
800 - 1,200

BLISS STREET

The fast food destination of Beirut, Bliss Street is still highly prized and in very high demand, relying heavily on AUB's student population as its main client base. It is popular with both international fast food brands (McDonald's, Hardee's, PHD, Dunkin Donuts, Krispy Kreme, etc.) and the leading local players (Bliss House, Zaatar w Zeit, Kababji, etc.).

ERV (USD/sqm/yr):
800 - 1,000

Hamra registers some of the highest retail occupancy rates in Beirut. Still considered the true cosmopolitan heart of the city, it is a destination address that attracts a large, vibrant student population, an affluent professional community of doctors, university professors, businessmen, and an eclectic foreign community, either temporarily residing in Lebanon or passing tourists. Hamra is also the densely inhabited home of a socially-mixed local population. Lately, Hamra has seen its rental prices boosted by the food and beverage (F&B) industry, with major restaurants, pubs, cafes, etc. scrambling to grab a share of this energetic market. Instead of being threatened by development taking place in other parts of town, such as BCD or Ashrafieh, Hamra seems, on the contrary, to thrive on competition. Estimated Rental Values (ERV), expressed per sqm per year, have increased over the last several months to top the USD 1,000 mark for prime stock.

MAKDESSI STREET

After a slumber of several years, Makdessi Street has been in the full swing of a retail reawakening for the past three years. It has attracted a number of prime restaurant brands and new pubs. Activity is mostly centralized along the stretch of road going from HSBC Bank to the new TSC supermarket (former Smith's). Before HSBC, retail is mainly constituted of local fashion outlets with a sprinkling of international brands, such as Puma and Adidas.

ERV (USD/sqm/yr):
400 - 600

JEANNE D'ARC STREET

Renewed activity along Jeanne d'Arc Street has been boosted by the proximity of Bliss Street, of which it is a natural geographic continuation. It is driven by F&B and an eclectic collection of fashion retail outlets.

ERV (USD/sqm/yr):
400 - 500

ABDEL AZIZ STREET

Known as the "Opticians' Road," Abdel Aziz Street has been slow in gathering renewed momentum. It consists mostly of an aging stock and is paralysed by old rentals. Not a single franchise brand is to be found on the street. However, Abdel Aziz remains popular and full of potential, as it is a main thoroughfare of Hamra, the main street leading to AUB, and abuzz with a heavy flow of traffic.

ERV (USD/sqm/yr):
400 - 500

Focus Ashrafieh Office Market

There are roughly 75 office buildings in Ashrafieh that mostly date back to the 1980's and 1990's. With just two new projects currently under construction planning to include partial office space, the market is clearly underserved.

SUPPLY

Ashrafieh can be divided into six distinct office concentrations: Adlieh, Tabaris-Charles Malek, Elias Sarkis, Sassine, Sodeco, and the Saifi-Gemmayze-Port area. The vast majority of the office supply in Ashrafieh is of an old, tired stock. Office buildings are often badly kept and lack modern facilities and parking spaces. The only notable exceptions are the few high-end, purpose-built products, such as those on Charles Malek Avenue, in Saifi, or Sodeco. Too few new offices, particularly in the upper tier of the market, are currently being placed on the market, effectively setting up for an undersupply of high-end product in the area.

PRICES

There are two categories of office prices in Ashrafieh: Modern, well-equipped, high-end stock, usually rents for between USD 250 and USD 300 per sqm per year. The older stock of offices, most notably lacking parking spaces, rents for around USD 150 and USD 200 per sqm per year. Currently only new offices are offered for sale on the market, with prices ranging between USD 3,500 and USD 4,500 per sqm.

DEMAND

Ashrafieh is particularly popular with local Small and Medium Enterprises (SME) looking for offices of 100-300 sqm or large companies looking to set up their headquarters in more affordable areas than BCD or Ras Beirut. Businesses look for easy access, availability of parking (either within the building or nearby), and affordable rents.

ASHRAFIEH RENTAL PROFILE

TYPE OF STOCK	DESCRIPTION	AVERAGE ERV (USD/sqm)
New Stock	Modern Design Parking Good Amenities	250 - 300
Old Stock	Tired Product No Parking No Amenities	150 - 200

SOURCE: RAMCO - FEBRUARY 2011

DESTINATION CHARACTERISTICS

Adlieh	Mostly new buildings with parking
Elias Sarkis	Difficult access Stock mostly dating back to 1980's
Saifi Gemmayze Port	Contrasted stock (some dating back to 1960/70's) Majority of stock lacks parking
Sassine	Mostly old stock Densely populated Congested Difficult access
Sodeco	Market dominated by Sodeco Square Mostly old stock (1960/70's) Majority of stock lacks parking
Tabaris Charles Malek	Up-market office sector of Ashrafieh Majority of modern stock including parking Main Ashrafieh thoroughfare

SOURCE: RAMCO - FEBRUARY 2011

OPPORTUNITIES

Interesting potential exists for office developments along the Pierre Gemayel Avenue (between Fiat and the Museum) and on the southern side of the Charles Helou-Port area. These two areas are not suitable for residential developments and still offer competitive prices. The many plots still available in those two locations are easily accessible and centrally located.

ASHRAFIEH OFFICE MARKET

Existing Office Buildings (Approx.)	75
Occupancy Rate (%)	90
Stock Under Construction (sqm)	8,750

SOURCE: RAMCO - FEBRUARY 2011

Zoom Seafront Beirut

A NICHE MARKET
IN FULL SWING

The seafront stretch of Beirut – from Ain el Mreisseh to Ramlet el Baida – is as popular as ever. Covering roughly 6 kilometers of the Mediterranean sea, the Corniche is the ideal place to locate highly visible, landmark towers.

The main ingredient of the area's success is fail-proof: scarcity of product within the heart of the capital along the Mediterranean coast. There are approximately two dozen plots along the seafront (not counting the upcoming supply of the reclaimed Normandy land in the Beirut Central District) that offer an unobstructed view over the Mediterranean.

This limited supply gives the area its niche market cachet and ensures the existence of a ready clientele for its products.



The Corniche, a chic popular destination

The seafront going from Ain el Mreisseh to Ramlet el Baida is Beirut's façade, with a breathtaking view over Beirut Bay and the Mediterranean. The landscape is still a hybrid mixture of high-end buildings, old, run-down constructions, and empty plots. Likewise, the social scene is very eclectic, with an elite of moneyed residents and low- to middle-class Corniche-goers.

Zoom Seafront Beirut

A RARE PRODUCT
IN DEMAND



NUMBER OF NEW HIGH-END BUILDINGS **22**
AVERAGE NUMBER OF FLOORS PER PROJECT **18**
TOTAL NUMBER OF APARTMENTS FOR SALE **200**
VALUE OF APARTMENTS FOR SALE (USD MILLION) **850**
AVERAGE APARTMENT SIZE (sqm) **525**

SUPPLY

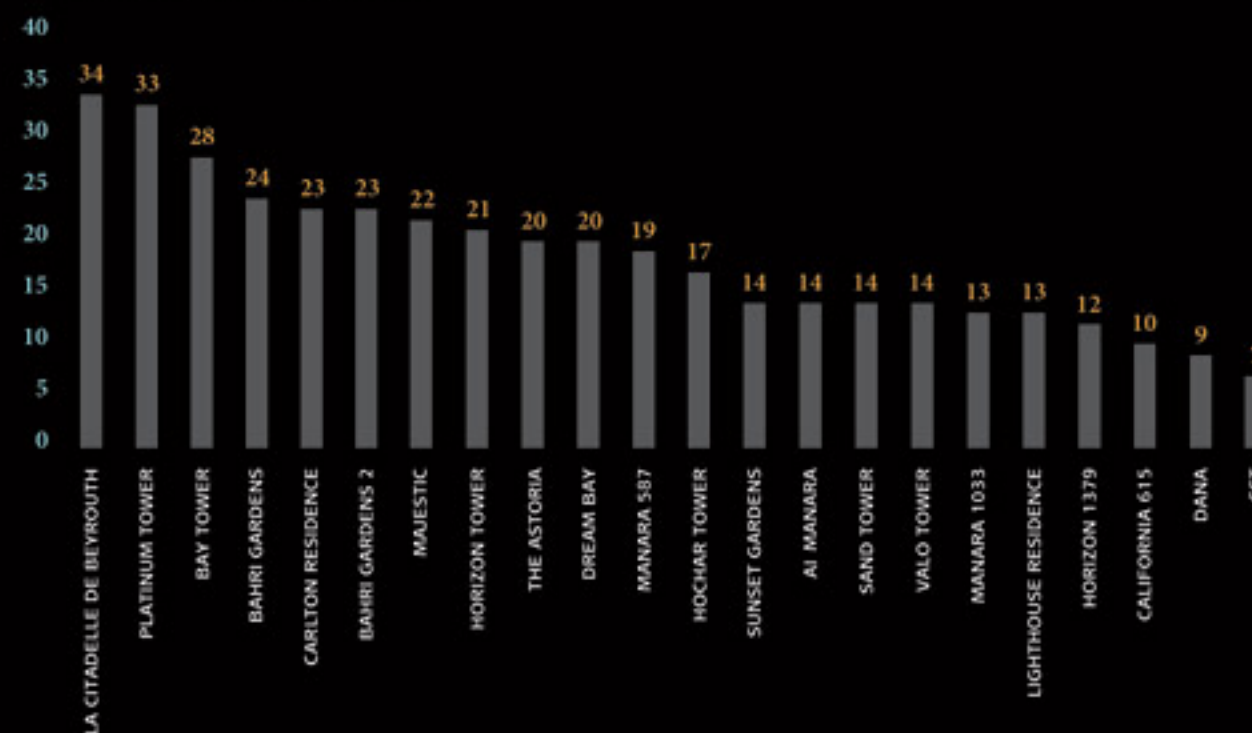
Given the generally large size of the plots and the width of the corniche, the majority of seafront projects reach anywhere between 15 and 22 floors. Some projects located on particularly large plots have been able to build towers up to 34 floors high. The size of apartments along the seafront tend to be larger than the average apartment size in the rest of the city. The vast majority of apartments vary in size between 500 and 600 sqm and there are no apartments smaller than 310 sqm.

DEMAND

The vast majority of buyers interested in products along the seafront are affluent Lebanese, both locally based and expatriate. What they expect is an impressive product, which will reflect their social and financial status. Impressive lobbies, spacious reception areas, wide façades with an unobstructed view over the horizon are topmost priorities on buyers' request lists. As they are mostly attracted by the location, buyers require few other incentives to purchase.

NUMBER OF FLOORS IN SEAFRONT PROJECTS

SOURCE: RAMCO - FEBRUARY 2011



ACHIEVED PRICES

Because they are such a rare product, projects on the seafront have been fetching some of the highest sqm prices on the Beirut residential market. Prices start at no less than USD 7,000 per sqm (on the first floor). As a general rule, prices increase by USD 100 per sqm per floor. In towers counting 20 or 30 floors, selling prices on the upper floors can thus be as high as USD 9,000 to USD 10,000 per sqm.

OCCUPANCY LEVELS

With almost 65% occupancy, seafront projects register healthy take-up rates, slightly above the overall city average, which stands in the low 60%. Because they are such a specific niche product, seafront apartments have been less affected by the slowdown witnessed in the upper tier of the residential market.

FIRST FLOOR ASKING PRICES (USD/sqm)

AIN EL MREISSEH	7,000 - 7,500
JAL EL BAHR	8,000 - 8,500
MANARA	7,500 - 8,000
RAOUCHE	8,000 - 9,000
RAMLET EL BAIDA	8,000 - 8,500

BCD special

Five mega-projects launched in 2010

The apartment sector has been at a quasi stand-still since early summer. Prices have not been moving and transactions have been slow. However, this has not deterred developers from placing on the market five of the largest projects ever to be developed in Beirut Central District (BCD). Totalling more than 580 apartments and 215,000 sqm of residential space, these projects are a bold assertion of developers' confidence in the country's future and in BCD's potential.

UNHAMPERED DEVELOPMENT

The Landmark, Damac, Beirut Terraces, 3 Beirut, and District/S were launched in BCD during 2010. They represent a total sellable value exceeding USD 1.5 billion. The number of projects may have dropped as compared to 2009, but the total number of BUA placed on the market grew by around 20% over the same period. The timing of the projects' launching is a clear vote of confidence in the real estate future of Lebanon. They also testify to BCD's uncontested – and so far unmatched – leadership in luxury housing.

HEALTHY TAKE-UP RATES

These projects, post pre-sale rates of around 25% which are aligned with pre-sale rates developers expect to achieve before they start excavating a site. Against the general background of a slow market, and considering that these units will not be delivered before 2014 or 2015, this performance is encouraging.

OPPORTUNITY TO SEIZE

Asking prices in BCD start at around USD 6,500 and USD 7,000 per sqm, which is coherent with prices found elsewhere in the market. Intense competition among such a large new stock of residential units has also ensured that BCD prices remain stable. As the gap narrows between BCD and other prime locations in Beirut (the Ain el Mreisseh / Ramlet el Baida seafront, the Golden Triangle of Ashrafieh, or prime locations in Verdun and Koreytem), this is a good opportunity to own property at relatively competitive prices in BCD.



BCD NEW PROJECTS

SOURCE: RAMCO - FEBRUARY 2011

NEWLY LAUNCHED PROJECTS **5**
APARTMENTS UNDER CONSTRUCTION **580**
TOTAL NEW SELLABLE AREA (BUA IN SQM) **215,000**
PRE-SALES RATE (%) **25**
TOTAL VALUE OF NEW STOCK (USD BILLION) **1.7**

BCD AGGREGATE SUPPLY

SOURCE: RAMCO - FEBRUARY 2011

TOTAL PROJECTS UNDER CONSTRUCTION **21**
PROJECTS TO BE DELIVERED WITHIN THE YEAR **10**
NUMBER OF AVAILABLE APARTMENTS **600**
STARTING ASKING PRICES (USD/SQM) **5,500**

Snapshot

CORNICHE EL-NAHR



Adlieh

The area around Adlieh is predominantly an office destination, with a dense concentration of government buildings (the Adlieh itself, of course, but also buildings such as the internal security headquarters, several ministries, the VAT headquarters, and the Justice Palace, etc.). Prices of built end-products (mostly offices) is between USD 3,000-3,500 per sqm, while land prices stand at between USD 800-1,000 per BUA.

Former Industrial Area

This neighborhood used to be an industrial area before the 1975 war. Abandoned since, it has recently attracted the attention of cutting edge developers, who are betting on the area's growth by proposing a number of non-traditional residential projects. Prices of new residential units range between USD 2,200-3,000 per sqm.



Corniche El-Nahr

The end of the Pierre Gemayel Avenue (Corniche El-Nahr) is also made up mostly of offices and of industrial buildings. The area, however, is under-exploited, which gives it huge development potential for the future, although it is difficult to say when development will catch up with the area. The price of land currently lies at around USD 600-800 per BUA.



ramco in the news

www.ramcolb.com

WHAT WE WROTE

L'Orient Le Jour: There are 580 new apartments under construction in BCD (8 October 2010) but small apartments are the new "smart" investments (22 October 2010) and some interesting investment options within Ashrafieh include such new, up and coming areas as Kobayat, Fassouh, Jeitawi, Saydeh, or Jisr el Wati (14 December 2010). On the commercial front, Ashrafieh is a very active commercial hub with eight different poles: ABC Achrafieh, Sassine, Gemmayze, Sodeco-Monnot-Damascus Road, Furn el-Hayek and the Charles Malek and Elias Sarkis avenues (6 November 2010) but the city as a whole lacks office space for sale (25 November 2010). Overall, stability is a key element of the performance of real estate (23 December 2010).

WHAT WE SAID

"If the stagnation period persists, buyers of 300 m² and more could seize interesting opportunities with unsold apartments, which will have to see their prices rectified."

Real Estate: The Slowdown – *Le Commerce du Levant*, December 2010

"If you want to invest in a rental property, target an apartment between 120 and 170 m², in a good location that is either central, trendy, or near a university."

Lebanon's Rental Market – *Ekaruna*, December-January 2010

"Some large deals are taking place despite the perceived stagnation of the market, [...] particularly in land purchases outside Beirut, such as Chouf, Keserwan, etc. The political instability affects real estate activity only momentarily."

An-Nahar Newspaper, Wednesday 1 December 2010

"The real estate market has entered a period of stability after years of random increases in the prices of land and apartments, and buyers can now take their time to obtain a reasonable and fair price."

Al Hayat Newspaper, Monday 8 November 2010

"The media constantly blames developers for the expensiveness of the prices, the increase in the value of real estate, the growth in large areas. As if their profits were made at the expense of the Lebanese! [...] The first responsible [...] is the high price of land."

Raja Makarem (letter to the editor) – *L'Orient Le Jour*, Wednesday 3 November 2010

"Only 4 or 5 major [residential] development projects are in progress, but it's as if there has been a boom; this is really the neighborhood 'à la mode' right now."

Mar Mikhael – *Ekaruna*, October-November 2010

WHERE WE APPEARED

LBC's Kalam el Nass in September 2010, MTV's Tahkik on 13 and 20 October 2010, and al Arabia in December 2010. Raja Makarem was also interviewed by Voice of America in September 2010 and Voice of Lebanon on 27 December 2010. Karim Makarem appeared on Monocle on Bloomberg on 29 January 2011.

Our services

Our work revolves around six main areas of expertise

Over the years, RAMCO has developed into a full line real estate advisory company, offering a comprehensive range of professional agency, marketing & consultancy services. Building our reputation, extensive professional networks and long-standing knowledge of the Lebanese market, we offer our clients un-paralleled market insight and a service to match.

LAND ACQUISITION & DISPOSAL

Land brokerage is RAMCO's forte. We identify and assess opportunities, conduct due diligence, prepare property briefs, advise on acquisition or disposal, and undertake the identification and negotiation process.

PROJECT MARKETING & PLACEMENT

RAMCO offers its clients added value by advising from a project's inception through to marketing, sales, advertising and launching events.

SALES & LETTINGS

RAMCO undertakes sales and lettings across property types. Our clients have access to our broad property database via our website and our team of professional brokers.

CONSULTANCY & ADVISORY

RAMCO offers professional advice on optimal land use and product mix (among residential, office, retail, or mixed-use projects) through up-to-date market research on trends, absorption rates, and potential sources of demand.

VALUATION

RAMCO is a leading valuer accredited by the Central Bank of Lebanon, providing expert and comprehensive advice on the fair value, potential land use, legal framework, and risks and opportunities for land and built-up property acquisition or disposal.

RESEARCH & PUBLICATION

RAMCO has launched a periodic market report offering unique insight into the local market and contributes regularly to the local and international press and media.

Our team

RAMCO's strength stems from the wide and varied experience and expertise of the members of its team, in particular the company's founder and CEO, through his intimate knowledge of the market and understanding of its trends and swings.

The members of our team enrich it with a diverse yet complimentary set of skills. Their backgrounds include experiences in the academia of urban planning and urban geography, real estate finance and investment, as well as backgrounds in advertising and marketing.

The research and publication department groups an eclectic assortment of people whose combined breadth of knowledge and expertise brings critical insight to our market studies and reports. While other members of the team bring their editing and research skills to sift through and analyze the heaps of data we collect.

The team is supported by a network of people on the ground, in the sales and lettings department, whose presence in the market lends strength and credibility to the accuracy of our data.

