

Lebanese Real Estate Business News and Real Estate Market Information

BEIRUT: Lebanon's real estate market continues to suffer from regional instability

Despite more noticeable demand from wealthy Syrian nationals, brokers and developers said after the sector registered a double-digit decline in the first two months of 2013.

Total real estate sales transactions fell to 8,547 in January and February, 18.93 percent less than the 10,543 transactions recorded in the first two months of 2012, recent data shows. The total value of real estate transactions fell 21.13 percent to \$920 million from \$1.16 billion over the same period.

Construction permits, which reflect the future supply of apartments, also saw a significant decline in the same period, falling 26.81 percent to 1,392,033 square meters, down from 1,901,863 sqm at the end of Feb. 2012.

“Demand is well below supply in the real estate market right now, but prices continue to remain high,” regional sales manager at Plus Properties Nicolas Mehchy told The Daily Star. “This is why you have such a sizable decline in the number of transactions.”

Mehchy added that despite price stability, discounts of up to 15 percent are becoming more common, which could be an indication of a price slide in the future if low demand persists.

The decline in value, added Mehchy, is explained by the ongoing shift from large luxury apartments to smaller and more affordable ones.

Given the trend, some new construction projects by Plus Properties and other developers are even making significant allowances for very small one bedroom studios in planned developments. “Small apartments are definitely the easiest to sell these days,” he said.

Mehchy said demand from Syrians escaping the conflict in their country

was not insignificant “but did not yet reach a level where you can say it is shoring up the whole market.”

He added that rent prices had gone up slightly in several areas including in the Metn, north of Beirut, and within the capital because of demand by Syrians.

Demand for buying apartments by Syrian nationals is low but is increasingly noticeable in the market, he added.

“Many Syrian businessmen now operating in Irbil and Dubai have been considering the purchase of an apartment, but not too many deals have been sealed yet,” he said.

Mehchy noted that many Syrians were abandoning the idea of purchasing apartments in Lebanon in favor of more stable markets where the real estate offerings were more attractive.

“The real estate market in Lebanon remains arbitrary [in terms of pricing] and much less professional than in Dubai, for instance,” he said.

Aline Chiha, a broker at JSK real estate, said the decline in the market was explained by zero demand for properties above the \$500,000 mark.

“The market for properties like villas, large lands or luxury apartments is almost nonexistent,” she said. “It seems like those with enough capital to purchase high-end properties are nowhere to be seen in Lebanon.”

“The market as a whole is stagnating as well,” she added.

Chiha echoed Mehchy’s views, saying demand for small apartments had remained relatively healthy, particularly after the Central Bank launched the stimulus package of which more than 50 percent targets the real estate sector.

In January, the Central Bank said it would give LL2.2 trillion (\$1.46 billion) in credit facilities to banks at a 1 percent interest rate. The stimulus package targets the real estate sector with over 50 percent reserved for housing with a ceiling of LL800 million per loan.

Both Mehchy and Chiha said their firms were now targeting Lebanese

expats who could benefit from the low-interests loans supported by the Central Bank and were less affected by the stagnating Lebanese economy.

The Daily Star

621,311 square meters of land sold to local and Arab investors in Lebanon - 7/11/2005

On its last session of June 20, 2005, the Lebanese government approved to permit real estate licenses to Arab investors.

The total area of land sold reached approximately 621,311 square meters of which Saudi nationals purchased 26%, Qatar and Kuwait investors, 14% each, and Bahraini investors 7%. It is worth noting that nearly 68% of the total area sold was in the district of Mount Lebanon (0.02% of Mount Lebanon's total area), and 5.7% was sold in Beirut (0.2% of the district's total area). This approval was published in the Official Gazette through 42 decrees of real estate permits showing an increase in demand in the real estate sector.

Country Area (m2) %

Saudi Arabia 161,722.00 26.03

UAE 39,275.79 6.32

Kuwait 88,572.20 14.26

Qatar 88,577.20 14.25

Iran 21,731.50 3.50

Jordan 25,875.00 4.16

Bahrain 40,505.00 6.52

Canada 1,245.00 0.20

Companies 153,828.00 24.76

Total Area 621,311.69

Realtors miss Net ad opportunity, Beirut- 5/14/2005

Real estate companies in the lebanese market are failing to tap the true advertising potential of the Internet. Net agencies said they seemed happy to spend on full-page newspaper adverts, while ignoring the potential of low-cost, focused adverts on the Internet, and direct marketing opportunities.

A new \$23 million tower in Ain Mreisseh, Beirut - 4/29/2005

Manara Towers is a residential building being developed by Rabah Idriss in Ain Mreisseh. The project has a total built-up area of 10,200m². It is currently in the excavation stage. The project consists of 14 floors, with one apartment per floor. The apartment size is 630m² and consists of five bedrooms each. The total cost of the project is \$23 million and it is to be completed in 2007.

CDR to launch new development plan for Lebanon - 4/26/2005

President of the Council for Development and Reconstruction (CDR), Fadel Shalaq said that he will present a new construction and development plan that will cover all of Lebanon.

“The detailed plan will be based on the National Physical Master Plan of Lebanon that was prepared by consultant firm Dar al-Handasah and a team of advisers led by economist Charbel Nahas,” Shalaq told reporters at the CDR headquarters.

Shalaq said that it is too early to estimate the cost of the plan, adding that Lebanon still needs a better infrastructure to achieve real economic growth.

“The plan will call for fresh funds for water treatment, solid waste and new highways and roads. We will seek international and Arab agencies to finance the plan through long term soft loans.”

Former Prime Minister Omar Karami appointed Shalaq to the post at the end of 2004.

Shalaq paid tribute to Hariri, adding that the late premier should get a lot of

credit for rebuilding Lebanon after the war.

He disclosed that CDR's headquarters was rebuilt with Hariri's own money.

"Hariri spent \$5 million to rebuild CDR's headquarters," he said.

He added that CDR has allocated nearly \$1 billion for projects that have not been completed yet.

By Osama Habib

Daily Star staff

\$28 million Horizon Tower in Beirut's Ain Mreisseh district - 3/11/2005

Horizon Tower is a two-block development on Avenue de Paris in Ain Mreisseh.

The of \$28 million project is owned by two companies, Horizon East and Horizon West, part of Horizon investment holding, mostly owned by Saudi investor Mohammad Abdel-kader Al-Fadl. Each building consists of 20 floors. The block offers residential apartments with varying sizes. The development will be built on a plot of 3,280m² and with a total built-up area of 35,000m².

Ernest & Young assesses feasibility of \$1.2 billion Sannine Zenith scheme - 2/11/2005

The international consulting firm Ernest & Young plans to submit a feasibility study in May of this year on Lebanon's Sannine Zenith project, the largest tourist and ski resort in the Middle East, said an official from Sannine Zenith Holding.

In addition to Ernest & Young the Canadian firm Ecosign Mountain Resort will hammer out the details of the master plan of the \$1.2 billion project and submit it to the Urban Planning Department for final approval.

"If we get the approval this year then we can start working on the first phase of the project in the summer," said Firas al- Amine, the public relations officer of Sannine Zenith Holding.

Amine stressed that once the master plan is completed, the company will approach investors to buy special Global Depository Receipts which will entitle them to own part of the resort.

"Investors have great confidence in Lebanon because they realize that peace in the Middle East may be near," Amine said. He added that the

company is seeking a strategic partner but declined to give further details. Sannine Zenith, which will include hotels, chalets, and golf courses, is expected to create thousands of jobs.

Amine said that over 56 skiing slopes in the area were identified by the developers, making it the largest skiing resort in the Middle East.

The first phase of the project will be completed in three years while the second and third phases will be finished in the following years.

Lebanon hopes to host the winter Olympics on Sannine's slopes in 2010.

Al Habtoor Group expanding in Lebanon - 1/3/2005

Khalaf Al Habtoor, chairman and Mohammed Al Habtoor, chief executive officer of the Al Habtoor group together with their senior management team have recently visited Beirut to develop the company's strategy in Lebanon for 2005.

The Al Habtoor group has been one of the largest private investors in Beirut. The first project started with the development of the Metropolitan Palace Hotel and continued with Habtoorland and the construction of Beirut's tallest building, the Habtoor Grand Hotel Convention Centre and Spa.

As part of the next year's strategy in May, the Habtoor Grand Hotel Convention Centre and Spa will open. This huge project will provide Beirut with the largest hotel meeting room in the Lebanon, the first themed shopping mall and the largest Beirut hotel spa. In December 2005, Habtoorland will open in Lebanon which will be built on more than 107,000 square meters with a variety of restaurants, a souk, a 1600 capacity amphitheatre and a host of planned evening events.

Solidere stock to be listed on the Kuwaiti Stock Exchange - 1/19/2005

Solidere, Lebanon's largest company in terms of market capitalization, plans to list its 'A' and 'B' shares on the Kuwaiti Stock Exchange by early February.

The decision to list Solidere's stock on Kuwaiti bourse is due in part to continuous demand by Arab investors for real estate opportunities in Lebanon. Financial services firm Kuwait Financial Center won the

mandate to list the shares on the Kuwaiti market. Some minor technical details are being finalized between the Beirut and Kuwaiti bourses ahead of the official listing.

Audi-Saradar Group launches a \$60 million project in Beirut - 1/13/2005

Conseil et Gestion Immobilier (CGI), a subsidiary of Audi-Saradar Group, launched a new real estate project in Beirut.

Estimated to cost a total \$60 million, the operation was launched with \$35 million already been raised from investors.

The project will be set on a 7,000m² plot which cost above \$15 million. Its total built-up area will be 50,000m² making it one of Beirut's largest real estate projects. The concept and study of the development will take place in 2005, while construction will begin in 2006.

\$900 million touristic development project in Lebanon - 1/12/2005

A \$900 million project on land reclaimed from the Mediterranean Sea north of Beirut is underway by Saudi based consortium led by Yasser Al-Dallyi.

The 'Lebanon Opportunities' magazine says that the project has been designed by a Saudi engineering student and will extend over two million square meters featuring several canals. The development will feature a 16-storey seven star hotel that includes a conference center and 138 chalets.

The Lebanese Real Estate Market

► THE REAL ESTATE SECTOR

A period of frenzied activity in the first half of the 1990s saw many new developers attempt to cash in on the construction boom. This resulted in a temporary glut of unsold apartments, some built without regard to the demands of the market. Experienced developers then regained the upper hand and in the past few years, supply and demand have come

more into balance.

Land prices in the capital are clearly the highest, followed by Mount Lebanon and Metn in particular. The cheapest land is on the Bekaa side of Mount Lebanon where the value may be only a few cents a meter. The prices are so low because it is virtually unusable. The cheapest usable land is around Nabatieh in the South.

► THE BUILDING STOCK

A nationwide survey of living conditions revealed that 70 percent of the population owns a home and slightly more than that figure live in an apartment. House buying patterns indicate that people either inherit (35.3 percent) or use their accumulated savings (46.7 percent) to buy a home. Renting accommodation is seen mainly in the capital and suburbs. Rural residents are more likely to build a larger house on their land. In the Nabatieh and Bekaa areas, accommodation is rented in respectively only 3.1 percent and 7.1 percent of cases.

► REAL ESTATE BY REGION

Beirut

A Central Administration of Statistics study on the state and use of real estate in the capital indicated that more than three-quarters of the buildings are in relatively good condition (79.9 percent) while 10 percent were damaged and in need of demolition.

The development of the Beirut Central District – downtown – has been spasmodic over the years but the completion of the Saifi village residential area and the opening of many retail outlets and offices in the new millennium gave the area a boost.

There is a lack of differentiation between business and residential properties in the capital, with buildings often housing a mixture of homes, offices and/or shops. About 50 percent of the buildings in the area contain a mixture of homes and commercial space, with 13.5 percent developed as purely commercial structures.

Ain El Mreisseh

In addition to new super-deluxe residential towers and five-star hotels, Ain El Mreisseh is home to a number of historic buildings. The Directorate of Archeology lists more than 400 as buildings of historic architecture, which protects them from demolition.

Bourj Hammoud

Like many other areas, Bourj Hammoud prospered in the boom of the 1990s but was less affected by the slow economic growth at the end of the decade. A shortage of open land encourages renovation.

Gemmayzeh

Almost left behind in the early property boom of the 1960s and 1970s, this suburb is mostly composed of buildings of a much older vintage. Gemmayzeh classification falls into both zones 2 and 3. Zone 3 applies to the area south of Gouraud Street, whereas Zone 2 covers areas near the port and the southern part of Ashrafieh.

Hamra

With high demand for both commercial and residential, and few vacant plots, a growing number of property owners are redeveloping occupied sites. Hamra is in Zone 3. There are perhaps more furnished apartments in Hamra than in any other part of the city.

Mar Elias

Almost exclusively residential until 30 years ago, Mar Elias developed into a bustling commercial center. There is a demand for apartments of between 80m² and 140m² and retail activity is increasing.

Sin El Fil

A rural backwater in the 1950s, Sin El Fil is now largely built up. Most buildings date from the 1970s and 1980s, but new construction

continues, with luxury residential apartments changing hands for up to \$1,000/m².

Sodeco

Although badly damaged, Sodeco's position on the border of downtown almost guarantees it a prosperous future. Several residential projects are being developed, and numerous banks plan to open branches.

Sursock

Named after the Sursock family, which came to Lebanon at the end of the 16th century from Turkey, the area is one of the most expensive in Beirut. In the 1950s, the urban construction movement began and cosmopolitan buildings started appearing, replacing the grand old houses.

Mount Lebanon

Mount Lebanon covers the suburbs of Beirut to the north, east, and south, as well as the traditional mountain counties colloquially referred to as the 'mountain proper.' The closer to Beirut, the higher the percentage of buildings dedicated to commercial purposes or mixed use. Outside of Beirut, taller buildings are found in the suburbs (only 15 percent of which had been developed before 1951) than elsewhere. About 20 percent of the buildings in the suburbs are between five and nine floors. In the mountain proper, this drops to 10 percent.

Aley

Since 1998 the municipality has issued 200 permits for renovation and 150 for construction and the renovation of facades on the main road in the last phase of the municipality beauty treatment for the area.

Bikfaya

In the winter months, Bikfaya is home to some 15,000 people. Back in

the 1970s, when tourism provided most of the town's income, this number would climb to 25,000 in the summer. Although some tourists are returning, the number has never come close to the boom times.

Bhamdoun

Land in the commercial district can fetch as much as \$1,000/m²- \$1,500/m², while 175m² apartments go for \$150,000. Two-month seasonal rentals cost \$5,000-\$6,000. The demand for retail in Bhamdoun is so great that prices are sky-high, mainly because of short supply.

Broummana

The beginning of national reconstruction led to a revival in the tourism industry in Broummana, spurring an increase in real estate prices. In the mid-1990s there was scarcely an empty room in summer.

Faraya

The mountain resort's real name is Ouyoun el Siman, a reference to the water sources. The word Faraya came from the construction company that developed the area from 1957 onward. Conscious of the construction activity, the government zoned the whole area as S, allowing ski-residential buildings.

Jdeideh, Jal El Dib, Zalka

The northern suburbs of Jal El Dib, Zalka and Jdeideh are poised to play a new role as a hub for "edge of town" corporate headquarters, multi-level retail outlets, and small-to-medium residential property aimed at first time buyers.

Shoueifat

Shoueifat experienced a mini residential boom in the early 90s, but has since been dormant. Neighboring Hadath should have been sucked in by its more affluent neighbor but has so far failed to blossom.

Sofar

Sofar enjoys cheaper prices than nearby Aley or Bhamdoun. On the main road, plots range around \$100-\$150/m², while in the surrounding areas, they can be found for \$30-\$50/m². Land purchase, mainly by Gulf Arabs, has been more significant in outlying districts than in Sofar itself.

The North

Most structures in the North (85.5 percent) are only one or two stories high. Residential buildings constitute 69.1 percent, commercial units 29.6 percent, and mixed used buildings 0.5 percent.

There is a much lower level of access to public utilities. According to the last survey, 32.4 percent of households were not linked to the public water network and 36.5 percent were not linked to the public sewage facilities. Extensive projects to rectify this are underway.

Tripoli

In the mid 1990s, Tripoli expanded further in the direction of the Abou Samra and Zeitoun districts where land prices rose instantly from \$15 to \$150-\$200/m². Although this slowed in 1997 – and prices fell – there has been continuing expansion, particularly in the Bsatine district.

The South

There are fewer businesses in the agricultural regions of the South, Nabatieh, and the southern Bekaa. The buildings in the area are not as old as those found in the capital. Only ten percent were built before 1951. Since 1990, the area has experienced a slight building boom, which explains why 10.6 percent of the buildings in the area were constructed between 1990 and 1996.

Tyre

The strip from Tyre to the border has almost boundless tourist potential

although development is closely controlled. The Urban Planning Authority divided the reserved zone into three sectors. The first, P, is allocated for the protection of fish, sea animals, birds, and plants.

Bekaa

Although trade is the main business in the Bekaa, the second is agriculture, animal husbandry, mining, and fishing. The area has few mixed-use buildings because, with the exception of the main city of Zahlé, accessible and cheap land allows building operators to provide separate accommodation for commercial and residential use. The vast majority (93.1 percent) of the buildings in the Bekaa are low lying, nearly 30 percent of the households are not connected to the water network, and just under 60 percent are not linked to the sewage system.

► OCCUPANCY RATES

The commercial sector has a higher number of unoccupied units than other sectors, with vacancies highest outside the capital. The Central Administration of Statistics estimates that in Beirut 15.7 percent (6,797) commercial and 11.9 percent (13,868) residential units were unoccupied from 1995 to early 1996. Development has changed this but there are no more recent statistics.

Real estate sector analysts and economists suggest that developers are trying to rectify the imbalance in property development. Where focus once concentrated on up-market buildings, developers are now constructing more affordable middle-income housing.

► LAND OWNERSHIP

The Real Estate Property Code governs property ownership. The right of private ownership is guaranteed in the Constitution. Land and property registration is relatively straightforward and the taxation levies are comparatively light. Property delineation is not complete throughout the country. But while it may present problems of exactness in some cases, it does not cast doubt on ownership rights.

Ownership deed and records

A title deed proves ownership of property and contains a duplicate of the information contained in the Real Estate Registry. Details include: full name of the owner, location of the plot with its allocated number, ownership history (name of successive owners), and total land area, its boundaries and a description of the state of the property (construction, trees, terraces, water sources, etc).

Proving Ownership

The ownership deed is the ultimate proof of ownership. However, in cases where the property has not been delineated, it can be proved through documents held by the mukhtars, for it is from the area's mukhtar that landowners obtain a certificate, indicating that they own the parcel of line described in the document.

Registering land

Directorate of Land Registration and Cadastral Mapping

The Real Estate Registry (RER) is the repository of all the recorded information about property. It was established in 1926. For a nominal fee, anyone can obtain a copy of the record of a piece of real estate.

Registering procedure

There are two options to register a transaction. The buyer and seller can go to a public notary and sign a sales contract, which gives the buyer 10 years to officially register the property. Or, the parties can go directly to an RER office and register the sale.

Registering built-up property

Similar to registering open plots, proof of ownership and municipal authorization is needed. The tax percentiles also are similar: six percent for Lebanese and five percent for foreigners.

Inherited property

Registering inherited property follows along the same lines. However, the heirs are liable for inheritance rather than land tax. Registration fees do not apply.

Heirs must obtain a testimonial from the Inheritance Department at the Ministry of Finance before the property can be entered into the real estate register.

Contested inheritances

All inheritance is equal to the sum of 2,400 shares that are divided according to the verdict issued by the religious courts.

If the person who died has written a will, the religious court will consider his/her wishes. Failing that, the court will decide the exact distribution of assets among potential heirs according to the religious rules of the deceased's sect.

Multiple inheritance

The most common problem in real estate inheritance is the subdivision of a house among multiple heirs. In some cases, the number of heirs is so high it proves impossible to manage or sell a property because it is impossible to reach an agreement. There are many cases when a property is "locked" by a court, either because of an ongoing dispute over inheritance, or if the new owners are unable to pay the inheritance tax.

Industrial land

Industrial zones are created only according to governmental decrees, based on proposals made by the Ministries of Industry and Public Works. The coefficients, which differ from one area to another, are first how much of a piece of land may be built on, expressed as a percentage, and secondly the total amount of permissible built-up area. According to the Ministry of Industry, the best solution to the inherited problems of industrial zones lies in updating the categorization of industries.

Investing in land

Real estate brokers say there are four ways of investing in land. The first is to simply buy a plot, and sell it after a number of years with the hope that the price will have risen. Alternately, an investor can buy a plot, then subdivide it into smaller plots, and re-sell or lease the smaller plots at a long-term profit. Thirdly, an investor can buy a plot and build commercial, industrial, or residential developments, which are subsequently leased or sold.

► CADASTRAL MAPS AND TITLE DEEDS

The country has not been completely surveyed. Some parts are complete, others half done and, in a handful of areas, not yet begun. The coastal strip and the Bekaa Valley have been mapped. But sections of the mountain regions are either incompletely mapped or not mapped at all. These sections are mostly pockets of areas in the extreme south or at the uppermost parts of the mountain ranges.

Stage 1: Delineating the boundaries

When a village or area is earmarked for delineation, a presidential decree is issued and notice of the process placed in the Official Gazette and local press. At the specified time, the cadastral mapping department sends a survey team to the site. Also included in the working party are a real estate judge and the area's mukhtar. All property holders affected should be present when the boundaries are being delineated to ensure that their rights are protected

Stage 2: Cadastral maps

The second stage is the preparation of quantitative cadastral maps, depicting the precise area and boundaries. The initial sketches made on an aerial map provide a rough guide. The survey team, along with the chief engineer and real estate judge, returns to the village. The survey maps, signed by the head of the Central Cadastral Department, are the

final authority.

► ZONING

Zoning basics

To determine whether zoning restrictions apply to a particular parcel of land, the interested party must check the town planning office in the respective caza.

Ground exploitation coefficient and total exploitation coefficient

But before exploring these zoning specifications, two ratios must first be defined. The Ground Exploitation Coefficient (GEC) is the maximum percentage footprint of a plot of land that a building can occupy.

The Total Exploitation Coefficient (TEC) is a multiple of the whole plot that defines the maximum construction area on the site. In Beirut, there are 10 specific zones with set GEC and TEC levels.

Zoning a new area

Establishing a new zone requires patience. Several factors must be considered including plans for the area, the relationship between population centers and their surroundings, environmental concerns, and local agricultural activities.

New zoning applications specify the intended use of the land, its boundaries and the types of activities allowed on the site.

Rezoning an existing area

Only rarely is a landlord allowed to modify the existing zone of a property. To do so requires a petition to the local authorities. The governor must approve and validate the petition, which include the reasons for the needed zone change.

► REGROUPING OR SUBDIVIDING LAND AND BUILDINGS

By law, land can be regrouped and subdivided through a Government process of changing the boundaries of privately owned plots.

Process of land and building subdivision

The application process for regrouping and subdividing is relatively straightforward. However, it can be time consuming.

Built property subdivision

The entire file must be sent to the Real Estate Registry (RER), which forwards it to the Cadastral Office to verify the technical information. Once done, the file is returned to RER so the department can issue the certificate and the deeds of ownership.

Cost of subdividing built property

The cost of this process is calculated as follows:

Estimated rent value x 20 x 1%

According to this formula, a 10-floor building with an estimated annual rent value of LL100 million x 20 = LL2 billion x 1 percent = LL20 million (\$13,300), an amount the applicant must pay within six months of receiving the residential permit.

If not, the fee doubles.

► BUILDINGS LAWS

An *a priori* building permit from the Civil Planning Authority is required before a new developer can break ground. An engineer who is a member of either the Beirut or Tripoli Order of Engineers must be appointed. If the property has not been developed in that time period, the permit may be renewed. A request for renewal must be submitted three months before the permit expires. Obtaining a building license takes two months if the plot lies in a planned zone and has a road running through the area.

► REAL ESTATE LAWS FOR FOREIGNERS

A 1969 law originally detailed the amount of land a foreign national or corporation can own and where these properties can be held. In principle, a formal application process channeled through the Ministry of Finance and culminating in a Cabinet decree is needed for a foreigner to own land. However, in reality, a number of exceptions – listed within Article One of the law – facilitates limited land holdings.

In 2001, a new law that allows foreigners to buy up to 3,000m² of land without prior approval from the government was introduced, and up to 100,000m² of land outside Beirut after receiving Cabinet approval.

Land acquisition

Foreign companies have a number of options available to them. They can lobby the Government, or incorporate and register a Lebanese company with a majority of that company's shares held by Lebanese nationals. A third option is for the corporation to apply for a larger holding if it comes under the 'exceptional category' of investor.

Petitioning for more land

To petition the Government for more space, foreign corporations must present a study of the project to the Ministry of Finance. This must be accompanied by documents outlining the company's finances and available capital. The ministry presents these documents to the Council of Ministers and gives it a decree noting the plot's number, its size, and the purpose for which it was bought.

► COMMERCIAL BANKS' ACQUISITION OF REAL ESTATE

Central Bank regulations allow commercial banks to own buildings only if they are used for bank departments, as a place to house employees, or as a commercial investment if the bank's headquarters is located in the building. In the case of a foreign bank, the property must be the site of the bank's management office. However, the overall land area cannot exceed the amount needed to construct the buildings. Banks, however, own the properties acquired when foreclosing on loans in default.

► HOUSING LOANS

Traditionally, home financing was available only through new property developers. For example, a buyer would purchase an apartment during the design or construction phase, put down a large down payment and make monthly installments until construction was completed. Today, however, a number of local banks offer mortgage loans for residential purposes. In 1999, the Housing Bank agreed to offer assisted housing loans for housing.

► APPRAISAL

Real estate appraisal is a growing field in Lebanon. There are some 730 sworn experts registered with the Ministry of Justice and the number continues to grow. The local official name for a real estate appraiser is 'sworn expert' or (*khabeer muhallaf*). The Ministry of Justice, through a court ruling, appoints these experts. According to a 1983 amendment, appraisers must be on the list of experts adopted by the Ministry of Justice and the Higher Judicial Council before they can conduct appraisals for the court.

Sworn appraisers are needed when conflicts of a financial nature occur over a piece of property.

► THE RENTAL MARKET

Renting versus Buying

Developers prefer selling to renting but that is slowly changing, especially in the Beirut Central District and the region's urban centers. In addition, developers need the cash from the sales to recover their investment and move on to other projects.

Prices

Property prices are highest in the central Beirut neighborhoods of Hamra, Ashrafieh, and Verdun, as well as the downtown area. The highest property prices are in the Beirut Central District where prices

may be as much as 33 percent more than those found in the outer districts. Once in the suburbs, property prices may plunge as low as 60 percent. However, prices vary considerably even within areas.

Signing the contract

There are no standard contracts for real estate transactions. However, some developers, such as the downtown real estate company Solidere, may develop their own contract to be used for all its projects.

► RETAIL

Shopping malls are the modern day version of the souk (market). In the past, most souks specialized – one for produce, another for perfume, and yet another for jewelry. To meet the needs of modern shoppers, shopping centers have diversified. In addition to shops, malls offer entertainment by way of cinemas, cafés, restaurants, and play areas for children.

Opening a shop in a mall

All malls have rules common to all participating merchants. They usually pertain to cleaning, hours of operation, and the like. The common area factor helps to cut overheads, as merchants share the cost of security, maintenance, and common utilities. Advertising can also be a commonly shared expense when the mall is advertised as an entity. Also to be considered are the commercial attractions of the other shops and amenities in the mall.

Retail in the capital

Independent retailers operating from small shops and boutiques still dominate the retail trade. In fact, boutiques of 50m² or less are much more common than larger retail outlets.

Retail space in downtown, Verdun, and Ashrafieh is the most sought after. Occupancy rates, especially in Beirut Central District, are extremely high. Vacancy rates are highest outside Greater Beirut in

areas like Sin El Fil and Jounieh, as younger and mobile shoppers move back to the city.

The retail area of stores in BCD comprises 800,000m², a quarter of which is owned by Solidere. The Souks Project will open up retail space for merchants who cannot afford current shop rents. It is scheduled for completion in 2004.

Other retail areas

Furn El Shebbak and Bourj Hammoud are very busy, established middle-class districts that attract a steady influx of shoppers. Serviced by many cafés, restaurants, and leisure outlets, these areas offer more than just a shopping experience. However, parking in these congested areas remains a problem, as do noise, cleanliness, and general road conditions.

► OFFICE SPACE

As the number of local companies increased and international corporations returned to Beirut, the need for suitable office space rose. Converted apartment buildings traditionally provided most of the space available. However, they had few basic amenities such as parking. 'Intelligent' buildings are appearing in and around the newly reconstructed downtown area, in the 'business suburbs' of Horsh Tabet, and along the Dora highway.

Choosing a good location

International companies such as Procter and Gamble, Merrill Lynch, Bank of New York, American Express Bank, and Cisco Systems are among the global organizations already settled in Beirut Central District (BCD). Rivaling the area is Ashrafieh's Charles Malek Avenue, now the most active part of the center of Beirut, after downtown. Price is one factor contributing to its success. While high-end office space in Ashrafieh may go for \$200-210/m², some can be found for \$80/m².

How big and how to pay

Offices in Beirut fall into three main categories of size, with the multi-nationals and international banks opting for 2,000m² to 5,000m². Medium-size concerns settle for 500-1,500m² while the smaller businesses, by far the majority, operate in offices of around 100m². Foreign companies and new local businesses traditionally rent because it offers greater flexibility. Some clients suggest leasing the premises for a one-year period and, if all goes well, the year's rent is considered a down payment on a purchase agreement.

► RENTAL LAW

Apart from the periodic and universal disagreements between landlord and longstanding tenant, there are additional reasons for friction between the two sides in Lebanon. Devaluation of the currency from around LL3 to the US dollar in 1983 to LL1,500 now has diminished the value of some rental contracts to the level where the legally controlled income is not even sufficient to cover maintenance. Landlords feel especially disgruntled because the money they are compelled by law to pay tenants to leave is based on modern-day valuation of the property.

► SEASHORE PROPERTIES

The entire seashore belongs to the state, and although it cannot be sold, it can be leased and developed. This requires a permit from the Maritime Properties Department at the Ministry of Transport. None has been issued since 1991 and none is on offer until the problems of previous illegal developments have been solved. A current draft law aims to regularize the situation by fining offenders while giving them the opportunity to legalize their situation. The fines are to be retroactive to January 1993.

► TAXES

The buyer pays the sales tax levied on buildings, apartments, and land. Where a loan is involved, there is also a mortgage fee of one percent plus 0.3 percent stamp duties. The mortgagee is responsible for paying

the mortgage release fees, again one percent, and the five percent partitioning fees, applicable to a property with multiple ownership, which on completion will be divided into individual units.

► MAJOR PROJECTS

Solidere: The Lebanese Company for the Development and Reconstruction of the Beirut Central District (Solidere) was incorporated on May 5, 1994. Established as a Lebanese joint stock company, the company's formation is based on Law 117. It set out to raze the buildings damaged beyond repair and prepared to restore those that could be salvaged. Work began in 1995 and is still in progress.

As both lead developer and supervisor of the reconstruction, Solidere controls the momentum, contents, and quality of development for the entire BCD.

Sales by Solidere grew dramatically between 1995 and 1997, indicative of the strong demand for property in the BCD. In 1997, sales revenues totaled \$144 million, a 55.8 percent increase over the previous year. Solidere's financial results for 2000 posted losses of \$31.8 million as opposed to \$3.7 million profits the year before. In 2001, it returned a profit of \$1.9 million and the company's financial fortunes seem set to revive.

Reconstruction: For more than 5,000 years, the area comprising BCD was inhabited by various civilizations. Remains of these cultures were unearthed during the reconstruction effort and efforts are being made to preserve these archaeological finds. During modern Lebanese history (the period after the country's independence in 1943), the BCD was the political center of the country.

Progress report: Many of Solidere's projects in Phase One have been completed although the whole project has been delayed. The core area is now a thriving hub of restaurants, offices, and retail outlets. By the end of Phase One, an additional 35,000m² will have been redeveloped. The souks project is scheduled for completion around 2004.

Marine works: In July 2002, Solidere inaugurated a \$230 million

marina that includes a docking area for 120 boats, as well as restaurants, parks, and other facilities. The second phase of the marina project, accommodating 500 boats at another port in the eastern section, is due by the spring of 2003.

Solidere now : After the souks have been developed, downtown will be one of the top retail locations in the entire region. It will also be one of the cleanest with, for example, a LL500,000 (\$333) fine for throwing cigarette ends on the sidewalks. Private landlords own the majority of retail space.

ELYSSAR : is a public agency created in July 1995 to redevelop Beirut's southern suburbs. The project is expected to cost \$1.8 billion. Originally funded with a \$400 million Government grant, the project has been plagued with delays, chiefly because of financial difficulties and thorny issues over land expropriation. The total area covers 560 hectares, five times the size of the Beirut Central District. Around 45 hectares are waterfront property.

► LARGE DEVELOPMENTS

Developments like Adma, Faqra, Meshref, and Rabieh are successful, and others like it are opening. Most model towns are planned, managed, and marketed before construction begins. Apart from residences, they offer amenities such as schools, parks, shops, supermarkets, hotels, and sports and entertainment facilities. It means that buying a unit in one of these communities is not cheap but many believe it offers residents the most for their money. The land and housing prices vary depending on the level of luxury, location, amenities and the popularity of the complex. Developers and managers of model communities publish their own rules and regulations, an outline of building codes, and personal conduct that residents are obliged to follow. The local authorities must approve the construction rules, which in turn must be officially registered by the state.