

The real estate industry tries to resist, despite the many vagaries exhibition Dream presidential vacancy, conflict in Syria, new phase of instability in Iraq... the construction industry seems to ignore local and regional conditions.

Bachir El-Khoury | OLJ despite local and neighbouring crises, and a net slowdown in general economic activity, the real estate sector in the Lebanon seems to not run out of breath, as evidenced by these sites that grow everywhere in the country and this landscape, yet news, from cranes climbing ever higher into the skies of the capital.

If the implementation of certain projects have been slowed down by current conditions, while others were downright outstanding, due to the political and security uncertainty, projects in road and within the time limits remain majority.

"We are accustomed to such situations and we have learned to adapt, particularly during major crises that swept the region and the Lebanon. We have never ceased to work in this country", said Georges Chehwane, CEO of the more Holding Group.

Optimistic, like many builders and promoters, setting it on a gradual normalization of the situation in the Lebanon. "There as an international will keep the country away from the current conflicts convulsing the region and make it a safe and stable (...)", he added.

This stability, crucial for the economy in general and in particular, the construction sector had pointed his nose during the first months of the year, with the formation of a new consensus cabinet, at the end of ten months of political stalemate, until the country sinks into a new episode of uncertainty, that the presidential vacuum.

L'embellie, a brief parenthesis?

The lull in the first months was also reflected on the real estate sector which took a few colors, after three years of consecutive decline, indicating a renewed interest on the part of investors. "The real estate sector is very sensitive to the evolution of the economic situation. A less positive signal the fact bounce", notes in this regard Samer Bissat, the Director of the Waterfront City project, the large real estate project built by group Majid al-Futtaim at the marina of Dbayeh. A view shared by Philippe Tabet, Managing Director of Har Properties, which has just launched the project «Allée des Arts» in Gemmayzeh. "The sector needs a trigger, good news. " The fundamentals are good. We have not a speculative market,"he says.

Signs of recovery, spurred on by the formation of a new Government, real estate sales have risen by 16% in the first three months of the year, 15,834 transactions, according to the land registry, after having declined 19% in the first quarter of 2013 and 3.4% during the same period in 2012.

Effect of volume rather than price, the total value of transactions rose to \$ 2.1 billion end of March, an increase of 36% compared to the \$ 1.5 billion in the same quarter of last year.

Regarding building permits, they covered a surface area of 3.4 million square meters, an increase of 18% over one year. These figures contrast with a decrease of 21% in the first quarter of 2013 and 3.1% during the same period in 2012. Finally, another indicator of recovery: shipments of cement, which totaled 793 000 tonnes in the first two months of 2014, an increase of 14.5% over one year.

"The land market in the Lebanon demonstrated a resilience in the security and political situation, and thanks to several factors, including the size of the country and the scarcity of valuable land for construction. Should, in addition, meet a significant number of residents, given the popular density, as well as the request of expats who love always having a base to the Lebanon", said Georges Chehwane.

According to him, "the Lebanese living abroad continue to be a major pillar of real estate demand.

They want all appropriating a House to the Lebanon even though they do not live there. "According to some estimates, 75% of the apartments costing more than 400,000 dollars are purchased by expatriates", stresses the CEO of more Holding.

This appetite among the Lebanese out of Lebanon "is however more the same», tempers Massaad Fares, CEO of Prime Consult,"even if there is improvement"compared to the previous months. The popularity of these has indeed decreased since 2011 due to the instability resulting from the Syrian conflict.

Evidence of a downturn, remittances of emigrants, an indicator of the financial links between residents abroad and their country of origin, have recently revised downward by the World Bank, to 7.2 billion in 2013 and 6.9 billion in 2012, against initial estimates of 7.6 and 7.3 billion respectively. "The request of expatriates is strongly linked to the security situation. They postpone their purchase decision, waiting for better days", says Philippe Tabet.

As residents of the Gulf, which accounted for a substantial share of foreign demand, they have deserted the local market, after the banning of several countries to their nationals to attend the Lebanon. This is also reflected on the demand for large surfaces and apartments worth several million dollars.

"The demand for units priced is changing up to \$ 500,000 remains satisfactory and transactions are regular. Market apartments and offices ranging between \$ 1 million and \$ 1.5 million is also acceptable, but the segment of the units beyond this price range is stagnating,"says Massaad Fares. According to the land registry, 235 transactions conducted by foreigners in the first quarter of 2014 compared to 219 for the same quarter of last year. If, in absolute terms, these figures reflect an improvement, the reality is different, in relative terms, the number of real estate transactions by foreigners representing 1.5% of the total transactions end March 2014, against 1.6% a year earlier and 1.9% in the first quarter of 2012.

Domestic demand remains the main lever of the sector at the moment.

According to Samer Bissat, 70% of the Waterfront City project already delivered apartments were sold, 85% to Lebanese. "Among the latter, 90% reside in the Lebanon", he said.

«Business as usual» faced with demand mixed, marked by a weakening of the power of purchase of residents, a wait-and-see attitude on the part of the expatriates and Gulf Arabs offer continues, in the hope of a renewed dynamism in moving more toward small surfaces to attract local customers searching for affordable prices. Overall, real estate projects and therefore, continue even if some investors have decided to suspend their business or to put the key under the door. The most famous of the city episode remains one of the great Bella Casa project launched by Mena Capital in may 2012, who recently was suspended until further notice. Located in the Ravi, this project of three residential towers in the new "Soho" of Beirut had to be delivered in summer 2015. At the end of one year and a half, sales did however not exceed 20% of the 180 apartments placed on the market, and despite a decline of 15% of the price, thus pushing the company to suspend the project. For other real estate companies, climate, admittedly flawed multiple uncertainties related to the presidential vacancy and the recent events in Iraq, remains rather to the 'business as usual '.

"Our projects are constantly evolving and construction activity following the timetable since their launch. Now, the "Sama Beirut" project-specific selling rate reached 40% while 60% of the project "Point A" has already been sold", said Massaad Fares. "We are working, in addition, on a new project in Achrafieh which will soon be launched on the market and the development of projects outside the capital," he added. "Sama Beirut", launched in August 2009 with a total cost of \$ 200 million, includes 80 apartments and 11 floors of offices that will be delivered on the market in

October 2015. As for the "Point A", launched in 2010 and the cost of which amounted to \$ 30 million, it has 14 floors of offices that will be delivered in August 2016.

Same Bell sound 'optimistic' on the side of more Properties. The company now has 21 buildings distributed on seven projects, including two at Yarzeh, two in Monteverde, two at Solidere and a project in Bhersaf (Tilal Bhersaf). "All these projects are in their final phase, while our sales have reached 65% of the total stock, which has 226 apartments and 27 stores," says Georges Chehwane. The Waterfront City project will not barely find buyers. A quarter of the 1 800 to 2 000 residential units have already been disposed of, while a large part of the megaproject is still under construction. It deals, inter alia, the construction of a business consisting of 12 buildings in total, district dubbed Business Park. "The two buildings already constructed, 85% of the offices were sold previously", said Samer Bissat.

The scenario is no different for the Group Har Properties. "We have projects whose total cost is around \$ 50 million. Aya in Mar Mikhael project is already sold at 75%, while 40% of Upark apartments, the cornice of the River, have been sold. Finally, the launch of the new project "Alley Arts" was a frank success. "We have already placed 30% of the project in a week", concludes Philippe Tabet. (Translated by Bing)