

## Beirut real estate boom is no bubble

*Matt Nash*



A woman walks past a construction site in Beirut, where property prices are continuing to rise. (AFP Photo/Marwan Naamani)

Less may soon cost more on Beirut's residential real estate market as buyers vie to snatch the limited supply of small apartments and turn a cold shoulder to the spacious flats that have tended to define the local market.

The price of new apartments under 200 square meters is almost certain to rise this year, while developers may be willing to negotiate down on flats 400 square meters or larger. Housing costs in the capital, in fact, are now so high that the majority of resident Lebanese cannot afford a new place even with a bank loan.

That said, analysts are convinced the price boom in Beirut is no bubble.

In recent years, most new residential towers in Beirut offered apartments around 350 square meters or larger. They sold well, analysts and real estate brokers told NOW Lebanon, and since 2005 residential real estate prices in the city have leapt at least 120 percent, according to Ramco, a leading local real estate brokerage.

However, not all of the apartments in these buildings have been sold and developers continue to include 400, 600 and 800 square meter apartments in their design plans even as demand is weakening, threatening to drag down the price of these large units.

"The really big units are in big trouble," said Marwan P. Hamadeh, managing director of the real estate brokerage Sogetim. Buildings with apartments of "350 or 400 square meters - these developers are in big trouble. They're not selling. People who wanted [to buy] them have already bought their units," he said.

Most newly-built apartments of 400 square meters or more now cost over \$1 million throughout the city, although prices vary considerably. The seafront square meter in the Beirut Central District, or "Solidere", sells for around \$8,750, while a few blocks inland the price drops \$2,000, according to February statistics from Ramco.

To the south in Ain Mreisseh, inland real estate prices are near \$3,300, and to the east in Saifi and Gemmayzeh, a square meter in a new apartment costs approximately \$3,800. At these prices, 400 square meters on the sea in Solidere can reach \$3.4 million, while a large flat in Ain Mreisseh runs near \$1.3 million.

Demand is strongest for newly built apartments, analysts and real estate brokers told NOW Lebanon, and prices drop around 20 to 30 percent for existing apartments.

"There's around a 20 percent difference between new and recent - not old," Hamadeh said. "We don't really have old [apartments for sale]. People just destroy [old buildings] and put up a building with more floors."

The high cost of new real estate in Beirut, according to *The Monthly*, a magazine published by the local research company Information International, is weakening the demand for large apartments, meaning their prices "will remain stable or witness a limited drop."

However, should they drop, they won't fall far. A majority of the residential projects in Beirut have sold enough units to recoup building expenses, explained Jad Abi Haider, an analyst with the Credit Libanais research department. This reduces the pressure to slash prices for a quick sale.

"Developers can afford to sit on [unsold units] for a while," he said.

Many expect prices on sought-after small apartments to keep going up. *Monthly* estimated a five to 10 percent rise. Marwan Barakat, head of research at Bank Audi, agreed that price rises would be more moderate this year compared to 10, 20 or 30 percent jumps since 2007.

"I think the pace of increases will not be as high as in the past three years," he said.

While most experts agree that stability will keep prices buoyant, they rejected the idea that Beirut prices were floating up on a bubble. "We're not afraid of a speculative bubble because there is not a lot of speculation," Barakat said.

Abi Haider said that real estate speculation has increased in recent years as foreign capital poured into Lebanon, but has still not reached the levels seen in places like Dubai.

"Lebanon is a very small country with limited space available for housing," said Kamal Hamdan, head of the economic division of Beirut's Consultation and Research Institute. With demand coming from resident Lebanese, wealthy expatriates and - primarily Arab - foreigners, he said he is confident high prices are sustainable.

Hamdan did note, however, that as prices go up, the number of resident Lebanese who can afford to buy in the capital will go down. By 2030, he told NOW Lebanon, he thinks people living and earning their entire incomes locally will essentially be pushed out of the city assuming non-resident demand is sustained.

"The whole area from Khaldeh, [a few kilometers south of Beirut] to Saida will eventually be built up" for Lebanese who cannot buy in the capital, he said.

Rabih Haber, director of Statistics Lebanon, said that based on surveys his company conducted in the past year, over 90 percent of the resident population earns under \$2,000 per month. Three local lending houses - BankMed, Bank Audi and BLOM Bank - told NOW Lebanon that the maximum housing loan available with such low earnings is \$120,000, far below Beirut prices.

Hamadeh, the real estate broker, agreed that many resident Lebanese cannot afford property in Beirut but urged caution when looking at reported incomes.

"There's a lot, lot, lot of hidden money in Lebanon," he said. "These people don't go into statistics."

Area	Average price*	150 sq/m^	400 sq/m^	600 sq/m^
Downtown (seaside)	\$8,500 -- \$9,000	\$1.3 m	\$3.4 m	\$5.1 m
Raoouche (seaside)	\$7,500 -- \$8,000	\$1.1 m	\$3.0 m	\$4.5 m
Downtown	\$6,500 -- \$7,000	\$0.9 m	\$2.4 m	\$3.6 m

(interior)	\$7,000	\$775000	\$2.8 m	\$3.7 m
Abdel Wahhab	\$5,000 -- \$5,500	\$750000	\$2.0 m	\$3.0 m
Sursock	\$4,500 -- \$5,000	\$675000	\$1.8 m	\$2.7 m
Qoreitem	\$4,000 -- \$4,500	\$600000	\$1.6 m	\$2.4 m
Saifi - Gemmayzeh	\$3,750 -- \$3,900	\$562500	\$1.5 m	\$2.25 m
Clemenceau	\$3,500 -- \$3,750	\$525000	\$1.4 m	\$2.1 m
Ain el-Mreisseh (interior)	\$3,250 -- \$3,500	\$487500	\$1.3 m	\$1.95 m
Jnah (interior)	\$3,250 -- \$3,500	\$1.1 m	\$3.0 m	\$4.5 m
Sassine	\$2,500 -- \$2,800	\$375000	\$1.0 m	\$1.5 m
*per square meter for 1st floor apartment				
^apartment price based on lower cost				
Sources: Ramco real estate advisors, Credit Libanais Research Unit				

*Maya Khourchid contributed reporting to this article.*



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