



REAL ESTATE SYNDICATE OF LEBANON

نقابة الوسطاء والإستشاريين العقاريين في لبنان

First Real Estate Forum

The Real Estate Sector – Basis for Economic Growth

The Evolution of Prices

Presentation by **Raja Makarem**

Founder & Chairman of

ramco
REAL ESTATE ADVISERS SINCE 1973

Prices across all the Sectors are in decline, be it in Residential, Retail or Commercial

Discrepancy between asking and selling prices

- The **Ramco Residential Price Index** has shown a minimal year on year reduction for the last three years
 - 2016 : -1,5%**
 - 2015 : -1,2%**
 - 2014 : -0,7%**
- Based on developers asking prices across c.350 residential projects under construction in Municipal Beirut where prices start at 3,000 USD/sqm
- 2017 results not out yet but are expected to follow the trend

Why Asking Prices are Resistant

- Some developers are less in need to sell than others or just reluctant
- But those that are resisting are selling a limited amount if any

All the Indicators are Dropping

Description	Q1 2017	Q1 2016	Variation
Residential Buildings UC	309	385	-19%
Apartments UC	8,442	10,340	-18%
Residential BUA UC	1,646,320	2,229,000	-26%
Ave. Apt Size UC	195	216 (2016) 252 (2013)	-10% -23%
Source: RAMCO sarl – November 2017			

- As you can see, there is a substantial drop in Q1 2017 over 2016 in the number of projects , apartments, the total stock and the average size of apartments

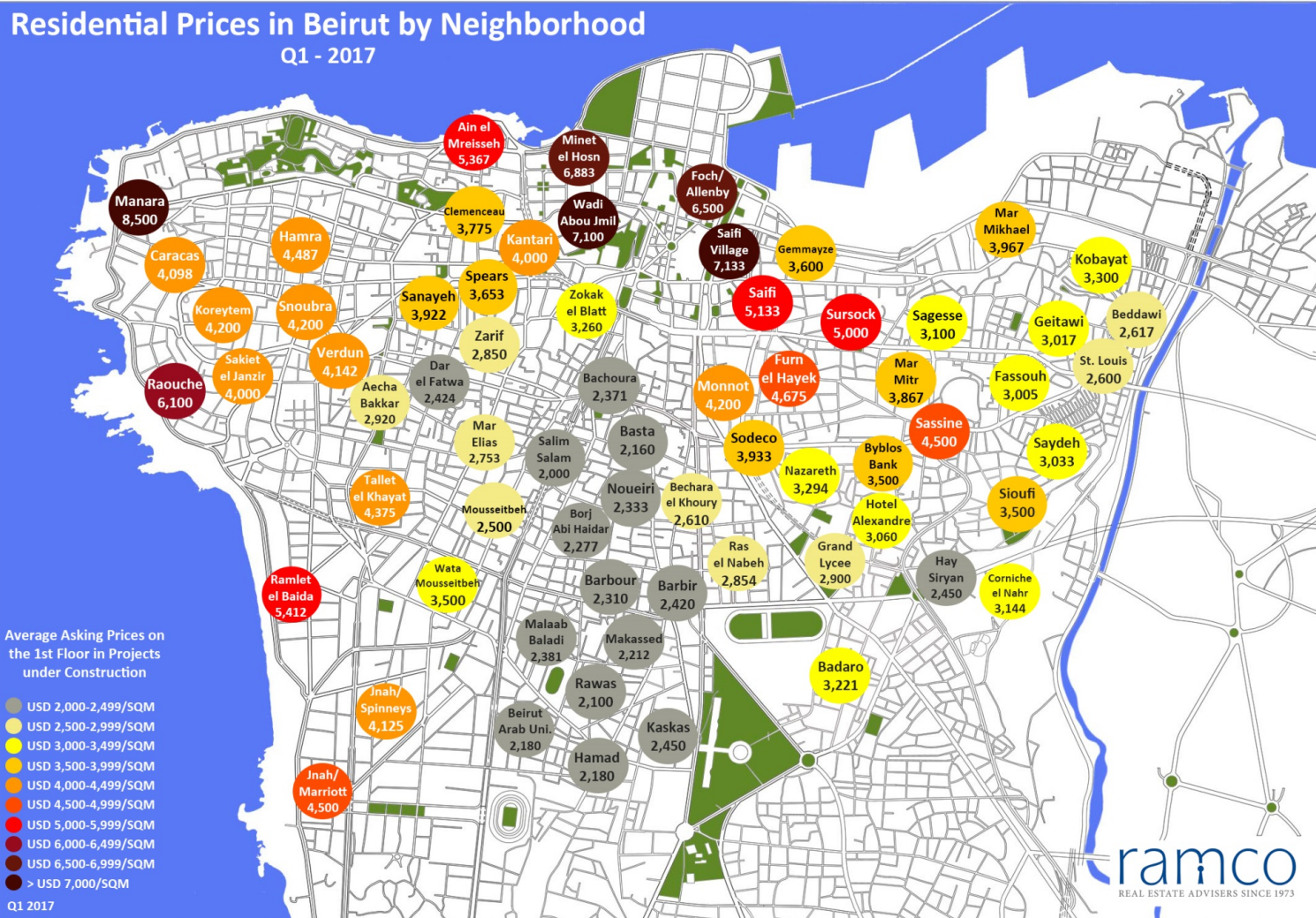
Increasing Discounts _ It is a Buyers' Market

- A dual between buyers and sellers, though for now The buyer is King
- Discounts vary between **10 to 30%**
- Most discounts range between **10 and 15%**
- All neighbourhoods and apartment sizes are affected
- Discounts depend on the
 - strategy of owners and developers
 - Pressure of debt
 - The limitations of the product itself - Buyers are more sophisticated than ever and notice imperfections and deficiencies
- But discount and you can sell, hence why apartments starting at 3,200 USD/sqm in Verdun are selling as well as 5,000 USD/sqm apartments in BCD

Why the Decrease in Prices

- At height of the previous boom 2008/09/10, prices were increasing on average 25%/yr.
- Increased Supply as stock kept being delivered
- Entry of first time non professional developers to the market
- Rising number of unsold units
- Reduced local, expatriate and foreign demand
- Local economic reality
- Decline in wealth across most markets with Lebanese expats
- Regional instability

Map showing Average Asking Prices Across Municipal Beirut



The Outlook

- Ramco expects the price correction to continue into 2018
- The three main factors that could change the outlook
 - The end of the war in Syria
 - Successful parliamentary elections
 - A post election swift cabinet formation
- Discount rates will continue to be the battle of 2018
- Limited purchasing power to continue
- Developers will continue to supply smaller apartments of 60 to 100 sqm that are mainly attracting investors and singles
- Large 400 to 500+ sqm apartments will continue to be hard to sell
- There is still demand in Beirut. Most families looking in vain for 3 beds at 400,000 to 700,000 USD
- Unsold stock in Beirut is not worrying, Ramco estimates the stock to be worth 3.6 billion USD

By RAMCO's estimates, since 2009, roughly 3,600 apartments remain on the market across Beirut (Starting at 3,000 USD/sqm)

Unsold Apartments: Municipal Beirut	
Number of Unsold Apartments	3,600
Overall Unsold Residential Area	900,000 SQM
Value of Unsold Residential Stock	USD 3.6 billion
Average Price of Unsold Apartments	USD 4,000 per SQM
Source: RAMCO sarl – November 2017	

Reduction in Land Prices

- Currently a 10% drop in land prices in Beirut
- Discrepancy exists between end product selling prices and land prices
- To break a certain myth, there are 100s of lands available for sale in Beirut.
- Market for lands is frozen due to prices
- Same lands are available for sale for a number of years
- Developers cannot afford to buy lands as residential, offices and retail values are down
- A proportional 10 to 15% adjustment in land prices could re-ignite the market

Where Are We Heading

Further necessary steps for re-igniting the market

- | | |
|--------------------------------------|-------------------|
| • Election of new president | achieved |
| • Formation of new government | achieved |
| • Agreement on budget | achieved |
| • New election law | achieved |
| • Abolition of Daesh danger | achieved |
| • Gas and oil contracts | in process |
| • Parliamentary elections | expected |
| • Post election government | expected |
| • End of war in Syria | in process |
| • Beginning of Syrian reconstruction | to follow |