

# EKARUNA

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## WILL PRICES DROP?

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In Focus | Mar Mkhayel  
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## Samer Abdallah, REVIEW SARL

“ 50% of our database is inclined to rent ”

*With long experience in the brokerage market since the 1980s, REVIEW's team practically witnessed the evolution of the Lebanese real estate market since then, with all its ups and downs. Professional brokers on the other hand are probably the most in control of the market evolution patterns, being the direct link between both buyers and sellers. Samer Abdallah, head of REVIEW SARL, speaks to EKARUNA on his vision for the market, mostly highlighting on the needs of the brokers market and the important role that professional brokers can play in regulating the market...*

### Quick time-table...

“As we launched our operations in the market in the 80s, we started by buying, renovating and reselling. At the beginning of the 90s, late Prime Minister Rafik Hariri encouraged a lot of Arab investors to come and invest in Lebanon, which gave a good push to the real estate market, until 1994. The crash that took place at that time in the global stock market resulted in a fast exit of Arab funds from Lebanon. In 1995, we launched our professional brokerage services. Oversupply back then had caused a severe market crash as some property prices dropped to half (i.e.: \$1M to \$500K) and still failed to sell. This situation remained so for around 10 years, while surrounding markets were witnessing good appreciation on real estate investments. Between 2001 and 2003, the Paris I and Paris II conferences revived trust

in the Lebanese economy and therefore attracted a lot of foreign money, bringing the cycle back to normal. Late PM Hariri's assassination in 2005 repelled speculators out, or probably they just pulled their brakes, until Syrian Armed Forces retreated. Syrian withdrawal led to a boom in expats demand for properties and attracted Lebanese living abroad to come back and buy. And despite 2006's war, the market still did well, especially due to the relocation that occurred from the Dahyeh zone. The global financial crash of 2008 then surprisingly didn't match in results with what happened back in 1994, but on the contrary, joined 2008 along with 2006 and 2007 to make Lebanon's real estate golden era. We succeeded practically in performing 3 to 4 operations on a monthly basis” explained Abdallah.

## Price evolution

Abdallah believes that “what happened in Lebanon in the golden era was a price correction and not a bubble. Between 1994 and 2003, the market was living a normal appreciation period. Between 2005 and 2008, price evolution was driven by the supply-demand imbalance. In 2009-2010, as demand for apartments was growing, investments shifted to lands. That was essentially driven by expats in the African continent, which didn't get very much affected by the global crisis. The high return on investment in land pushed land prices up, which then became the main driving factor in the price evolution.”

As for what developers will do about property prices now that demand has stabilized, Abdallah classified these into two categories: investors/contractors, a lot of which newly entered the market after 2003 and could not yet perform based on long term visions, and old developers with “good stomach”, having planned their cash flows control on a long-term basis. “As land price increased, new developers could not sell for less. On the contrary, they required higher yields on the construction they just got done with to be able to maintain their operations and to be able to re-invest their yields in new projects” explained Abdallah.

## The new market trends

“The market changed” affirmed Abdallah. “Demand is static on big-sized apartments while it is still very good on small-sized apartments. Regionally speaking, expats are mostly interested in Beirut, while

locals are mostly interested outside Beirut” according to Abdallah.

“On the short run, we can sense increasing demand for rents, although rental yields are still low, revolving around 3%, but will definitely go up. This then opens a new window in front of investments for rental yield. At the moment, I can affirm that 50% of our database is rather inclined to rent” he adds.

## Recommendation to government and banks

Abdallah carries through EKARUNA essential recommendations to both the government and banks. The former, according to Abdallah, should fix the public transportation sector and create parking spaces. The problem of scarcity in land can be solved with some creative solutions, like imposing on developers to have public underground parkings beneath their buildings, in exchange for some privileges. “On the other hand, we as professional brokers have rights, especially that almost nobody brings money to the government as much as we do through our operations. Our legal system with regard to brokerage is in very bad shape and is not controlling the entry of what I call Mickey Mouse brokers. The government has to know that it has interest in protecting our rights, because we constitute good market regulators. That is simply due to the fact that we need to check that all the details in our operations are correct and all the rights of all parties are protected, and appraisal for properties is perfectly accurate” explains Abdallah.

As for banks, Abdallah complains about the time it takes to process applications for buyers. “The problem is that banks do not usually establish specialized units for real estate” says Abdallah.

## The goal: a syndicate!

“We have started a 1000-miles path towards organizing our profession and protecting our rights through a syndicate. Currently we are operating through the REAL Association. We practically became one family and we complement each other. What's yet to come is the establishment of an accreditation system for brokers, along with a professional course in cooperation with higher learning institutions, all that to add credibility to what we do. That will allow us to provide the market with data and educated personnel cooperating with each other. This cooperation will allow brokers in regions to access more demand and therefore have enough returns to invest in developing their business. This adds dynamics to the market and leads to better value for properties in all regions” says Abdallah.

## Hamra offices

Abdallah announced REVIEW's new project: offices in prime location in Hamra, including all amenities, furniture and administrative services, for business people to profit from and rent even on a daily and weekly basis, without the need for the whole office establishment hassle. By that Abdallah hopes to introduce further creativity in catering for the market's demands... •