

Lebanon's Properties market not Immune

It is simply not true that investors have little or no concerns about the Lebanese real estate market in the 2nd half of 2009. This market is not immune to the global economic crisis, as previously thought. Lebanon's solid banking system has stood defiant and unscathed in the face of financial bankruptcies the world over. However, this has had a numbing effect on the country's private and public sectors which are acting seemingly oblivious of the crisis's repercussions on Lebanon. The fact is that we are seeing and feeling small aftershocks, and there are now bona fide concerns and uncertainty in the properties market.



To preempt foreclosures, the Lebanese authorities should take heed of the US Foreclosure Prevention plan which is giving property owners in America a chance to buy time and find alternate solutions to the debt crisis they have with lending institutions. It should also look at Dubai's newest regulations regarding its real estate market, urging promoters, contractors and investors to work together in figuring out a compromise and not against each other through foreclosures and lawsuits. The Lebanese government should similarly broker a deal with property stakeholders and enact regulations to minimize the direct effect of the crisis which is starting to lap the shores of this country. Activating investment agencies like the Investment and Development Authority in Lebanon (IDAL) would go a long way towards diffusing the early warning signs and encouraging investment.

The local government should further consider a massive public spending on infrastructure works for the purpose of injecting money on a horizontal scheme and support the \$93 billion of liquidity available in local banks. Lebanese banks are asked to be patient with their investors, homeowners and other loan recipients and not rush into foreclosures or other guarantees to forcibly recoup what these banks had loaned to their clients. More than 300,000 Lebanese expats have transferred their savings into local banks which are profitable enough to lend a helping hand when times are tough. To foreclose, after all, is a slippery slope. A bank forecloses and it is forced to sell at a lower price. The properties' price index goes down. Investors cannot sell at the price they originally built and thus will borrow less. Those with foreclosed properties would

have lost property and cash, and now have less liquidity and banks will eventually lose. Continue with this and the snowball effect is on.

To stimulate more buying activity, owners of new construction projects should reconsider their profit margins and offer more marketing incentives in their promotional campaigns. We are in fact seeing a decline in demand for high-end apartments despite prices falling off by up to 15% in Beirut. Both a crunch on demand and a drop in prices by up to 20% are expected to continue until the end of 2009. The market trend is currently for middle income families who are able to purchase apartments not exceeding \$300,000, in the Beirut suburbs. The Lebanese expats have had the lion's share of buying in Mount Lebanon, purchasing more than 80% of vacant premises there.



Land prices in Beirut and Mount Lebanon are still holding steady but for how long? There will be more opportunities to buy real estate when banks in the near future liquidate some plots to cover debts and liabilities. But we can no longer turn a deaf ear to what the experts are saying, nor can we act indifferently to what is happening around us. There are lessons to be learned and actions to be taken and both the private and public sectors are asked to shoulder responsibility for their actions or rather "inactions".

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