

*Lebanon Real Estate Investments:
A World of Opportunities*

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Network and Knowledge for Economic Growth

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Lebanon Real Estate Investments: A World of Opportunities!

- Factors Favoring Lebanon's Regional Investment Pull
- Facts & Trends
- Major Projects & Prospects
- Reforms & Liberalization

Economic Environment

- Low returns on cash: international interest rates at 50 year lows
- Energy price boom → high liquidity levels in Gulf & Saudi Arabia
 - → stock market boom
 - → search for hard asset investments
- Instability and insecurity → search for diversification outside Gulf region

Structural & Strategic Factors Favoring Lebanon's Regional Pull: I

- Post 9-11-01 restrictions & discrimination against Arab world
- War on Iraq & potential instability in the Gulf
- Increased Trend towards Regional outlook for Trade, Investment & Capital and Labor flows
- Lebanon is a 'Safe Haven' → Capital Flows & Investment

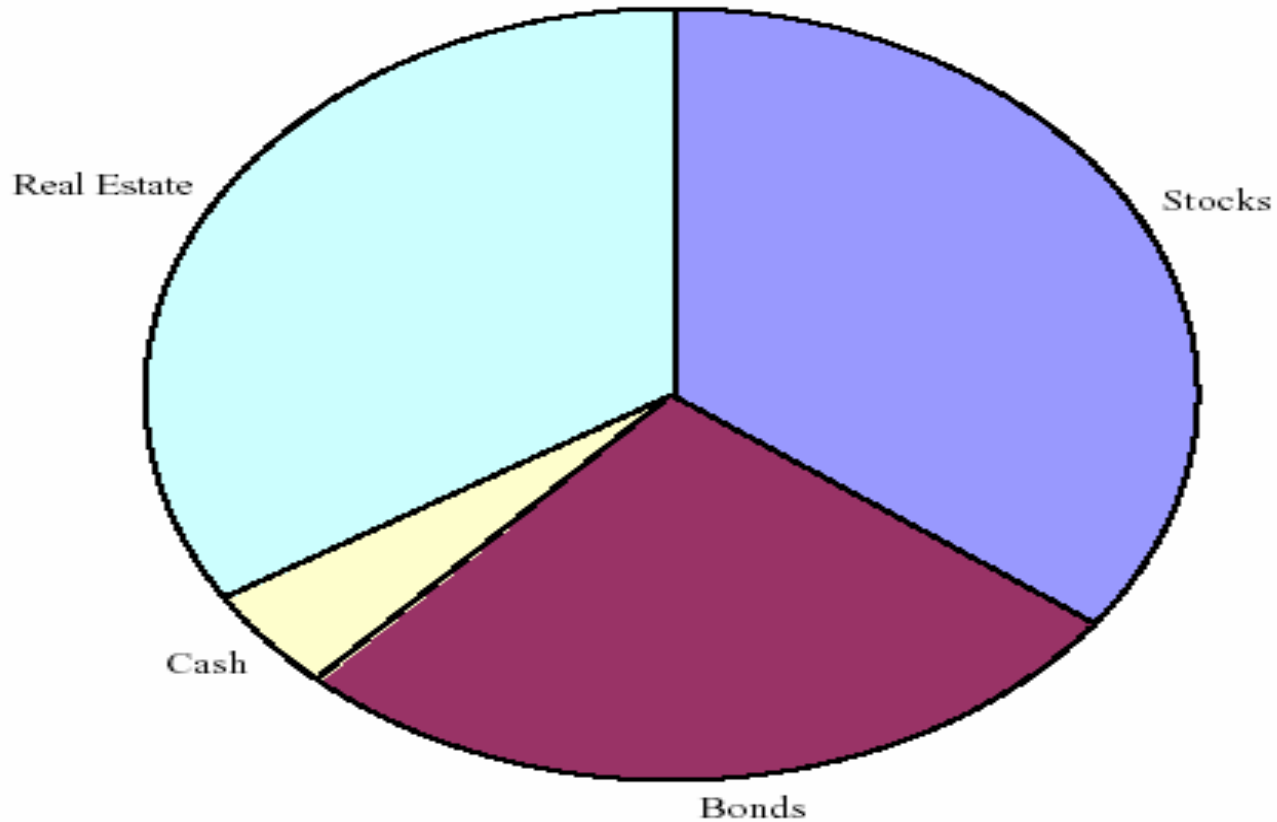
Structural & Strategic Factors Favoring Lebanon's Regional Pull: II

- Demographic:
 - Arab 'yuppies'
 - Retirement
- Decade of the Private Sector
- Services & Tourism: Varied, Multi-Season, Multi-purpose, Regional, International
- Lebanon's Country Risk is lower:
 - Post May-2000 Liberation
 - Post-Paris II
- Lebanon signed the Association Agreement with the EU
- Lebanon will enter WTO in 2005

Real Estate Investments: investors viewpoint

- Most important form of investment for the majority of population & investors
- Provide the best hedge against unexpected inflation and currency risk
- Improve return/risk characteristics of investment portfolios
- Provide returns comparable to or better than stock market with lower volatility

Market Value of Asset Classes



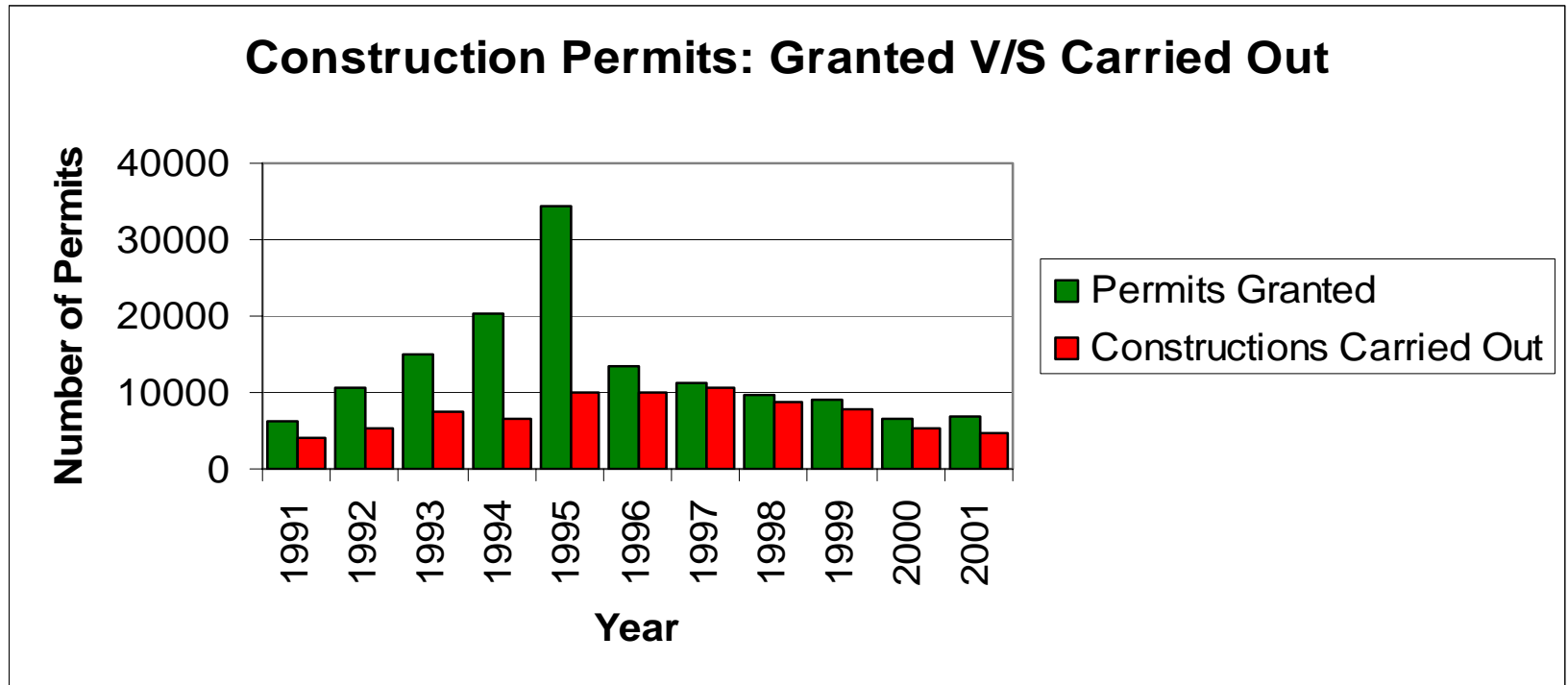
Returns on Real Estate Stocks & Bonds

	<i>Period</i>	<i>Compound annual return</i>	<i>Arithmetic mean return</i>	<i>Standard Deviation</i>	<i>Serial correlation</i>
CREF (commercial)	1969-87	10.80%	10.90%	2.60%	43.00%
REIT (commercial)	1972-99	14.20%	15.70%	15.40%	11.00%
I&S (commercial)	1960-69	8.70%	8.70%	4.90%	73.00%
C&S (residential)	1970-89	8.50%	8.50%	3.00%	17.00%
HOME (residential)	1947-89	9.80%	9.80%	4.70%	54.00%
HARRIS (residential)	1926-89	8.50%	8.50%	5.40%	55.00%
FARM (farmland)	1947-89	9.90%	9.90%	7.80%	64.00%
S&P 500	1928-00	10.46%	12.38%	20.02%	-5.00%
T. Bonds	1928-00	4.95%	5.21%	7.68%	16.00%
T.Bills	1928-00	3.97%	3.93%	3.18%	86.00%
Inflation rate	1928-00	3.21%	3.30%	3.05%	66.00%

Lebanon Real Estate: Varied & Resurging

- Lebanon's Real Estate Sector is resurging
- Types of Real Estate Investments
 - Hospitality and Tourist Ventures
 - Shopping Malls
 - Office Centers
 - Housing & Apartments
 - Multi-purpose investment resorts
- Facts and Indicators
 - The numbers speak for themselves
- 1990-2004: Boom-Bust-Boom cycle
 - Post-war reconstruction euphoria: infrastructure and some private sector
 - Consolidation phase
 - New Opportunities: Integrated, multi-purpose projects that build on regional synergies and complementarities

Real Estate Sector: Higher Completion Rates

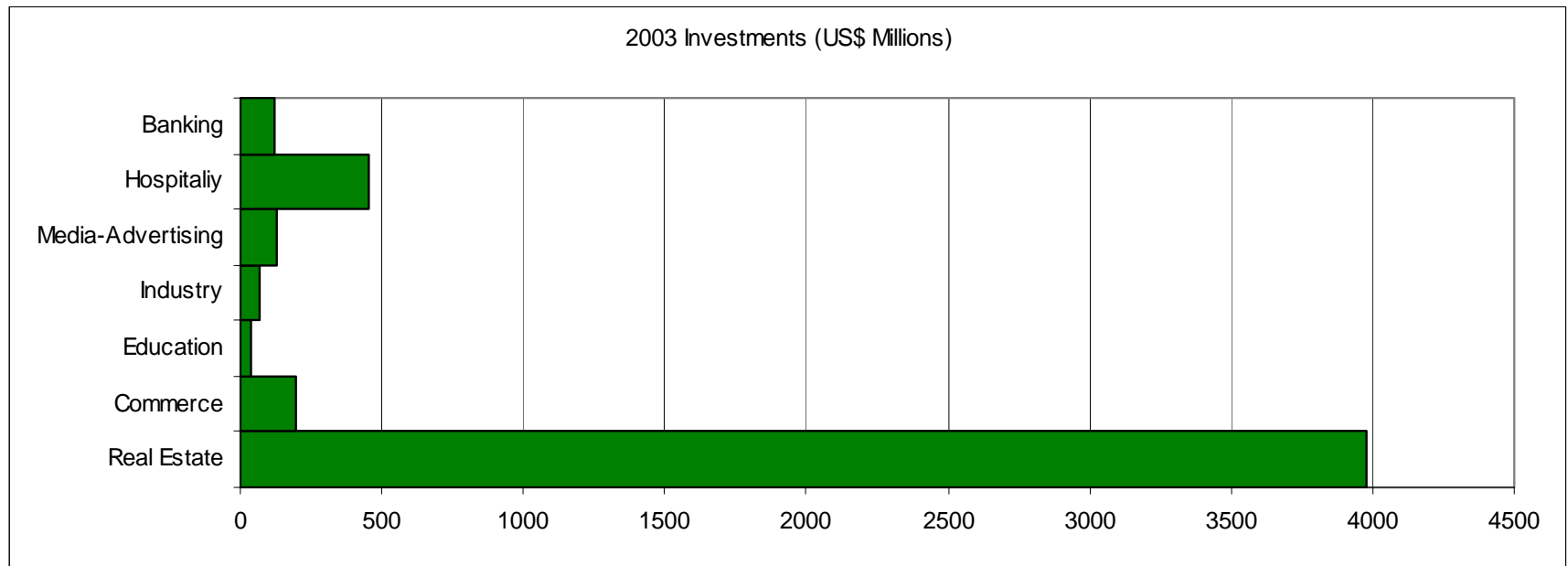


* Estimates according to delivered cement
Source: The Construction Materials Industry – by Michel Morkos

2003: A Boom Year for the Real Estate Sector

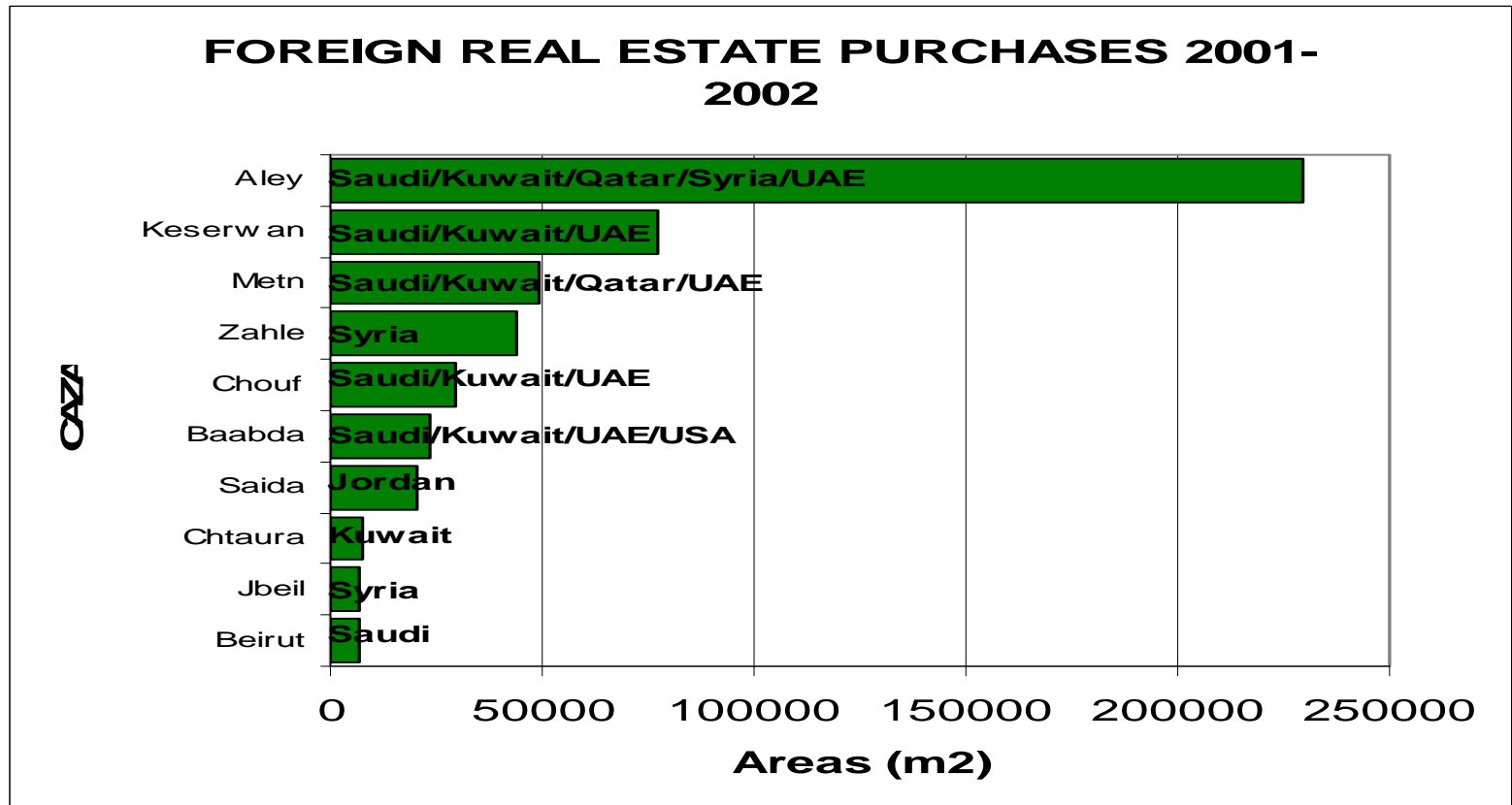
\$3.98 billion worth of investments, the highest ranking sector in the Economy

Real Estate Transactions reporting a growth of 9% from 2001 to 2002



Source: Lebanon Opportunities, Special Annual Issue. (July 2004)

Real Estate Sector : Attracting the Diaspora & Arab investors



Source: Official Gazette, The Property House

Lebanon generates High Average Room Rates in Hospitality & Tourist Ventures

AVERAGE ROOM RATES ACHIEVED 1993 - 2002 (\$)											
	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	% change 2001-2002
Bahrain- Manama	87	86	87	92	90	93	102	105	103	98	(5.0)
Egypt- Cairo-city center	N/A	N/A	73	72	78	78	80	86	85	77	(10.0)
Cairo- Pyramids	N/A	N/A	35	56	44	44	50	66	66	53	(20.0)
Cairo- Heliopolis	N/A	N/A	59	62	61	62	62	68	65	59	(10.0)
Hurghada	N/A	67	39	41	44	30	34	41	35	30	(15.0)
Sharm El Sheikh	53	61	59	63	62	45	54	55	51	48	(5.9)
Jordan- Amman	76	67	75	83	83	81	71	68	68	65	(4.4)
Kuwait- Kuwait city	167	174	171	178	168	170	169	178	182	180	(1.1)
Lebanon Beirut	N/A	N/A	N/A	128	133	143	129	110	101	110	8.9
Oman- Muscat	103	103	103	112	101	95	91	86	80	74	(7.5)
Qatar- Doha	69	65	68	77	101	116	112	115	105	100	(4.8)
Saudi Arabia- Jeddah	98	99	103	117	115	113	111	119	110	104	(5.5)
Riyadh	107	98	105	106	110	113	116	115	110	107	2.7
Syria- Damascus	101	102	73	124	118	111	104	97	94	94	0.0
UAE- Abu Dhabi	120	108	114	129	111	101	99	88	89	89	0.0
Dubai	120	117	119	120	126	107	104	105	103	100	(2.9)
Average	98	94	84	90	92	88	85	88	84	81	(3.4)

Source: HVS international

Lebanon is experiencing a Tourism Boom

TOURISM RECEIPTS IN USD MILLION									
	(\$ million)			Growth rate (%)			Market share (%)		
	2000	2001	2002	2000	2001	2002	2000	2001	2002
Middle East	12,219	11,795	12,963	9.1	-3.5	9.0	100	100	
Saudi Arabia		3,420	-					29.0	
Egypt	4,345	3,800	3,764	11.3	-12.5	-0.9	35.6	32.2	29.0
United Arab Emirates	1,012		1,328	13.3			8.3		10.2
Bahrain	469		-	15.0			3.8		
Jordan	722	700	786	-9.2	-3.0	10.9	5.9	5.9	6.1
Syrian Arab Republic	1,082		1,366	4.9			8.9		10.5
Lebanon	742	837	956	10.3	12.8	12.4	6.1	7.1	7.4

Source: World Tourism Organization (WTO)

'ArabYuppies': Mall Boom

COST OF RENTING OR BUYING MALL SPACE			
	Retail area (in m²)	Retail outlets	Average prices
Verdun Plaza	2,000	25	Rental \$300-\$350
Verdun 730	7,500	33	Sale \$5,000-\$8,000
Dunes	9,000	34	Rental \$600-\$1,000
Verdun Plaza 2	2,500	14	Rental \$200-\$800
Verdun 732	11,000	44	Sale \$6,000-\$9,000

Source: InfoPro Research

Lebanon New Office Space: Competitive

MARKET WATCH					
	Base rent (\$/sf/yr)	Property tax (\$/sf/yr)	Operating expenses (\$/sf/yr)	Total occupancy costs (\$/sf/yr)	Average lease term (years)
Abu Dhabi	\$12.65	\$0.00	\$5.06	\$17.71	1-5
Beirut	\$23.23	\$0.00	\$4.18	\$27.41	3-6
Kuwait city	\$21.18	\$4.46	\$5.02	\$30.66	Typ 10

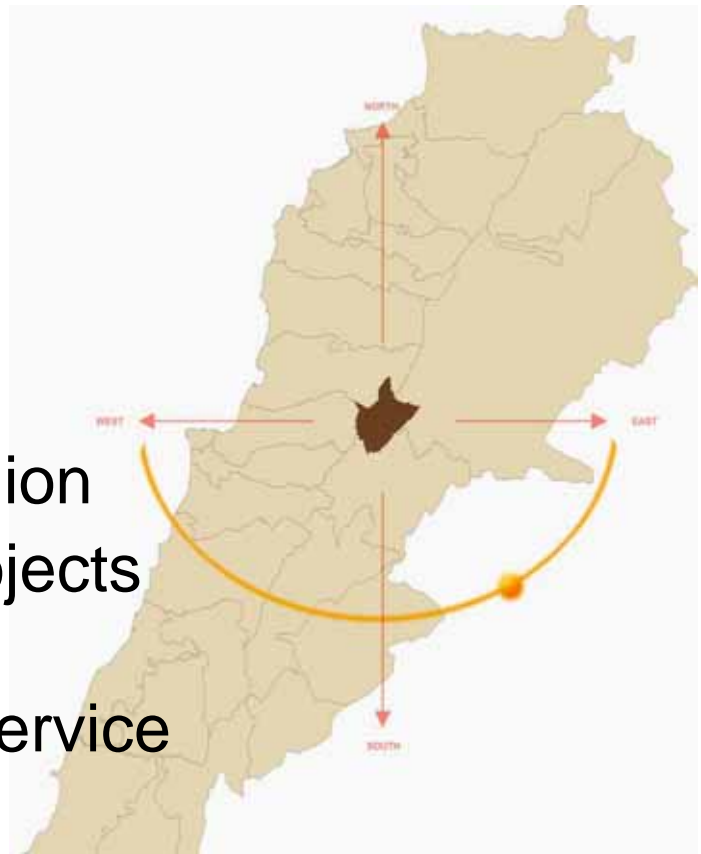
Source: Healey and Baker 2002

Facts & Trends: II

- Tax & Regulatory incentives:
 - Recent changes; lower registration taxes, updated land registry systems, IDAL, improved rent law.
- Banking & Finance funds available
 - Project Finance for Real Estate & Contracting
 - Widely available housing finance programs.
- Emergence of Mega Projects: Sannine, Marina Towers...

Trend toward integrated, all-season, multi-purpose projects: Sannine

- Combination of
 - Winter/ Summer resort
 - Residential Facilities
 - Spa & shopping centers
 - Leisure / business oriented
- Centrally located within the region
- Complements other MEGA projects in the region
- Builds Lebanon as tourism & service center



Major Projects & Prospects

- Hospitality and Tourist ventures
 - Sannine Zenith Lebanon (\$1.2 Billion)
 - International theme Park Services (ITPS) - \$100M for amusement park
 - Rotana Hotels, Ehden Ski Project, Metropolitan Park.
- Residential Housing and Apartments
 - Marina Towers (\$ 200 M)
 - Saifi Village
- Commercial Malls & Office Rentals
 - ABC Dbayeh
 - Casino Geant / BHV on the Dora Highway
 - The Beirut Mall

Lebanon, the Diaspora & the Arab World: THE SAND-SNOW PARTNERSHIP

- Strategic & Long-term
- Build on Sources & Forces of Integration
- Build & Benefit from growing post 9-11 inter-Arab Tourism trend
- Benefit from Lebanon's Safe Haven characteristics for living & investing
- Provide Comprehensive Life-Cycle, Work-Leisure-Investment-Retirement Package

Creating a Real Estate Market: Financial Market Reforms

- Liberalize & De-Control Rents
- Simplify Licensing procedures: reduce cost of doing business
- Liberalize Ownership to encourage Lebanese Diaspora

Creating a Real Estate Market: Financial Market Reforms

- Privatize the Beirut Stock Market and set-up an independent Capital Markets Commission
- Securitization Law (in process since 2000!) :
Develop a Mortgage Market:
- Mutual Funds Law (in process since 2000) to enable development of Real Estate Funds and Investment Trusts (REITs)

Lebanon Real Estate: Unlimited Horizons

- Benefiting from new infrastructure
- Developments applying international quality standards
- Build on concept of 'Old'-New World: culture, tradition, heritage, services
- Attracting foreign institutional investors
- Plentiful liquidity & finance

Lebanon Real Estate: Unlimited Horizons

- Services & Tourism is a major growth and job creation sector for Lebanon
- Benefit from the forces of Globalization:
 - “Lebanon.com” network
 - EU Association Agreement
 - WTO entry
- Increasingly sophisticated for regional & international investors and Lebanese Diaspora

Thank you for your faith in Our
Lebanon, born again!

