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# Building for a better future

Despite the summer war with Israel, Lebanon's luxury real estate sector is as strong as ever

Words by Michael Karam

October 2006 saw the official launch of Beirut Gate, a \$600m Abu Dhabi-financed real estate development in the Beirut Central District (BCD). Utilising the huge swathe of "free" north of the main east-west Beirut overpass, the 21,448m<sup>2</sup> Beirut Gate may not be as adventurous as some of Dubai's giga-projects but it is still big. With an eventual floor space of 178,500m<sup>2</sup>, the development consists of eight plots, on which eight separate but thematically linked buildings will be constructed. The bulk – 120,000m<sup>2</sup> – has been set aside for high-end residential units, while 25,000m<sup>2</sup> has been allocated to retail and the rest, offices.

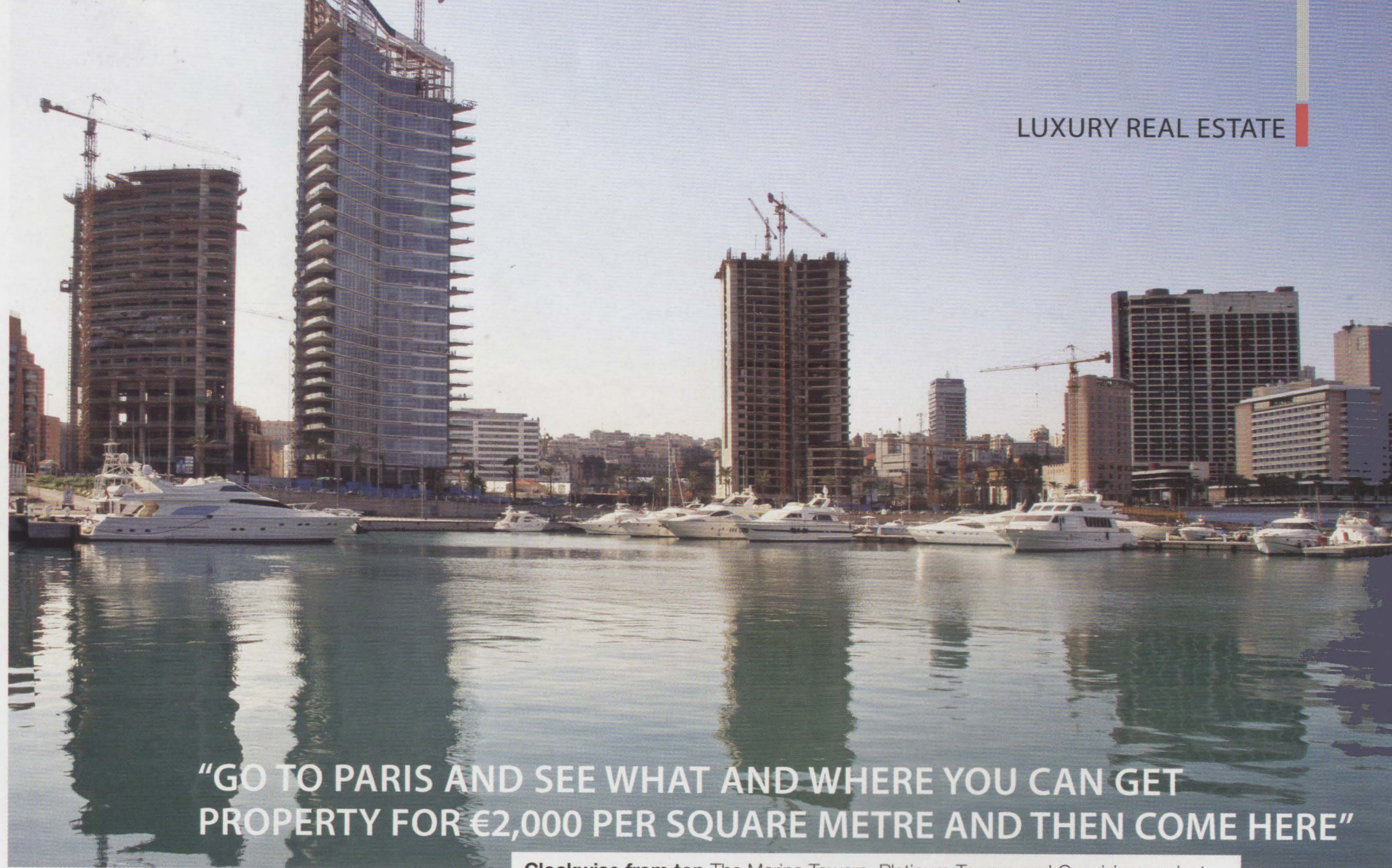
Beirut Gate may have been funded by Gulf money but its design has come from a blue-chip team of international and local talent that includes Christian de Portzamparc, the man behind Paris's Cité de la Musique and New York's LVMH building and Arquitectonica, a US-based firm. From Lebanon, there is the Erga Group and Nabil Gholam, a rising star in the Lebanese design firmament. If ever there was a statement of intent that Lebanese real estate was in rude health, this is it.

So what happened to all the talk about shattered confidence in Lebanon and its economy after the brief but brutal summer war with Israel? Those who predicted that the towering, luxury residential developments in the BCD and its immediate environs would become a sad testament to unbridled optimism and crushed potential are having to think again as major developers report that prices are holding and that for major developers, such as Jamil Ibrahim, it is business as usual. Gulf and other foreign investors have not lost their appetite. For them, Beirut remains an interesting option for diversified portfolios. They believe in Lebanon.

Just talk to Karim Bassil, chairman of the developers Brei, which is building a boutique →



Construction of the Platinum Tower on the Beirut waterfront is back on track



LUXURY REAL ESTATE

**"GO TO PARIS AND SEE WHAT AND WHERE YOU CAN GET PROPERTY FOR €2,000 PER SQUARE METRE AND THEN COME HERE"**

Clockwise from top The Marina Towers, Platinum Towers and Convivium project



LUXURY REAL ESTATE

**"LAND PRICES HAVE RISEN STEEPLY IN THE LAST YEAR, SO, EVEN IF THEY WANTED TO, DEVELOPERS CAN'T TAKE THEIR MONEY AND BUY ELSEWHERE"**

average of \$6,500/m<sup>2</sup>. For those who want to slum it, a non sea-facing apartment can be snapped up for \$4,500/m<sup>2</sup>.

Azhari, whose portfolio is nudging \$1bn, sees the trend as an endorsement of the historic resilience of Lebanese land prices. "The value of property has not dropped since the end of the [1975-90] civil war, except perhaps in 1997, when prices reached silly heights. Land is rare in Lebanon. It's a small country, with a small economy that stops and starts easily."

Joseph Mouawad, chairman of the Mouawad Investment Group, which is committed to \$70m of real estate projects in Beirut, puts it another way: "Land prices have risen steeply in the last year, so, even if they wanted to, developers can't take their money and buy elsewhere. We must also remember that construction costs are now higher. There will be more demand for labour due to the [post-war] reconstruction. So you see they can't drop their prices."

So for time being, those projects in the development phase are moving full steam ahead. "We are back to work," shrugs Azhari. "We have a new project in the pipeline that is as big as Marina Towers and we were negotiating on it even during the war. Call it a gut feeling but I believe we are heading towards a good future."

Rabbah agrees. "I can tell you this: if there is regional peace we will see a 20%-30% increase across the board both in land and retail prices," he says.

But real estate is ultimately all about confidence and Bassil unveils his simple formula for Lebanon: "The Gulf Arabs all want to come here, even now. No matter what happens politically, Arabs want to go out and have fun. If another conflict happens they will leave, but they will come back. Lebanon is here to stay. Say what you want about the Lebanese, but they rebuild."



Azhari believes that the commitment to Lebanon as the premium destination for Arabs remains solid. "9/11 speeded up the inevitable," he says. "Dubai started it because you need developments if you are to attract investors and tourists. They used to go elsewhere, now they come here because of what we can offer. Look at Syria and Jordan. They have stable governments and they don't have war, and look at what we were able to do in a short space of time." He leans back in his chair. "You know every time we think of leaving, the attraction of this place pushes us to stay."

Michael Karam is managing editor of Executive, a regional business magazine based in Beirut

Clockwise from top left The interior of one of the Platinum Tower apartments; The Marina Towers during construction; The Convivium residential project in Beirut



hotel in the upwardly mobile district of Gemmayzeh at the eastern extremity of the BCD. With an \$80m portfolio, Bassil had to be sure that Arab investors were still interested in Beirut.

"I have just been travelling in the region to get a feel for the mood and found out that things have not changed as far as investor confidence is concerned. Those who wanted to buy still do."

Bassil has also developed seven Convivium residential projects, a brand that has set new standards in Beirut urban residential design. By keeping a tight rein on costs, he has also been able to deliver extraordinary value for money. "Go to Paris and see what and where you can get property for €2,000 per square metre and then come here. We offer outstanding value in the centre of Beirut, which is one of the most exciting capitals in the Middle East. Now is the right time to invest; the price is as low as it will get."



On the BCD waterfront, Abed Azhari, assistant general manager of Stow, developer of the landmark Marina Towers and other projects, is optimistic. "It's business as usual," he says with relish. "The interior decorators [working on the apartments we have sold] are all back at work and that is always a good sign," he laughs.

Mouhamad Rabbah, general manager of the Platinum Tower, another major waterfront development, is equally bullish after a bleak summer. "Now I can say we are 90% back on schedule," he says. Fifty per cent of his apartments have been sold, mainly the bigger ones, especially the 1,700m<sup>2</sup> penthouses, which are currently selling at \$7,500/m<sup>2</sup> and cost between \$12m and \$13m apiece. The rest - around 900m<sup>2</sup> - are selling for an →