Middle class bypassed in Beirut's housing boom

BEIRUT

As prices soar, residents who stayed through war find capital unaffordable

BY YARA BAYOUMY
REUTERS

Beirut once conjured up images of clear skies, sparkling sea and red-roofed Ottoman-era houses, but cranes and new buildings now puncture its Mediterranean skyline and the cacophony of bulldozers has shattered the idyll.

All over Beirut, developers are spending hundreds of millions of dollars building luxury apartments for high-income Lebanese, and prices are soaring, especially in the central district, known as Solidere after the company that rebuilt it from the ruins of the 1975-1990 civil war.

While analysts insist no property bubble is looming, rising prices are pushing middle-income Lebanese out of a capital city that some refused to leave even in the midst of war and unrest.

''I'm frustrated,'' said Labib Ghulumiyyah, a 35-year-old doctor, who has been trying to buy an apartment for two years. ''It's going to be a while before I can afford something and I'll have to get a loan and pay for it for a long time. With all the problems in Beirut, I'd still rather be here.''

A 2010 report by the property consultancy Cushman & Wakefield ranked Beirut as the 30th most-expensive retail rental city in the world, up three places from 2009, and the most expensive compared with 10 cities in the Arab world.

Retail rents in Beirut's Solidere area stood at €1,470, or $2,030, a square meter, ahead of Luxembourg, Stockholm and Tel Aviv. A square meter is 10.8 square feet.

In Beirut's central district, a mixture of restored properties and new buildings, property sells for anything from $7,000 to $13,000 a square meter. Other prime Beirut neighborhoods are priced in the range of $4,000 a square meter, real estate experts say.

The governor of Lebanon's Central Bank, Riad Salameh, said the sector was worth $10 billion a year in sales and projects. That may seem small compared with even single developments in the oil-exporting Gulf, but is a lot of money for Lebanon. To put the numbers in perspective, Lebanon's government budgeted total spending of $12 billion for 2010.

CYNTHIA KARAM/REUTERS

One of many construction projects in Beirut. Analysts and real estate experts insist that a property bubble is not developing.

There is no doubt Beirut is booming, but it risks leaving behind middle-income Lebanese who are resorting to extended loans and looking for smaller apartments beyond the capital.

Housing demand in Beirut has been driven up by Lebanon's large community of expatriates, who are either returning or want a foothold in the city though they do not live there full time. Wealthy Gulf Arabs and Lebanese who are buying apartments as an investment for their children have also pushed up prices.

Analysts and real estate experts insist however that this is not a property bubble in the making because the buyers are end-users, not speculators, and many are either paying in cash or borrowing amounts they can afford.

''I don't believe there's a bubble in the market. It's true that prices have risen significantly, but they emanated from a low base so prices today are more in line with regional and international benchmarks,'' said Marwan S. Barakat, head of group research at Bank Audi in Beirut.

Mr. Salameh, the central bank governor, said that Lebanon's property sector was not overleveraged so he did not expect a price collapse.

''The credit linked to the real estate sector does not exceed 8 percent of the total balance sheets of our banks,'' he said. ''Usually you have negative effects on real estate prices when there is high debt attached to that sector.''

''We expect prices to level after this big increase and historically we have seen this pattern in Lebanon, where you have a quick rise, and then a leveling and then another rise,'' he said.

Only a drastic deterioration in security could hurt demand for property, but even that does not seem to faze developers who are breaking ground on projects across Beirut.

In fact, Lebanon's resilience has translated into an average of 8 percent growth for the past three years, driven by strong consumer confidence.

Property prices have risen 30 percent each year since 2007, Mr. Barakat of Bank Audi said, impressive for any city let alone one that has had dozens of bombings, weeks of protests, days of deadly clashes and a war with Israel in the past five years alone.

Housing prices fell only 2.3 percent during the a 34-day war Israel fought with Hezbollah in 2006, according to a December 2009 Global Property Guide, and residential property prices in central Beirut rose 40.7 percent in the second quarter of 2009. But in a 2010 report, the guide warned that Beirut properties were becoming too expensive.

''Lebanon is now overvalued, in our opinion,'' it said. ''Lebanese property was undervalued, so when peace returned, it rapidly appreciated.''

There are now more than 20 developments under construction in the prized area of central Beirut.

One is the $500 million Beirut Terraces project, developed by Benchmark, where the asking price for an apartment starts at $7,200 a square meter and reaches $12,500 a square meter for a penthouse, with occupancy in 2014.

Beirut Terraces, which promotes an ''open-air sparkling marina coastline'' and ''lush suspended gardens'' is 30 percent sold before construction has begun — a trend that is growing and that helps developers finance construction without resorting to too much borrowing. Zina Dajani, Benchmark's managing director, admits the market for luxury properties is smaller than that for more affordable homes, but says demand for high-end real estate remains strong enough to justify such projects.

''Those who are looking for a deal are not the clients we are looking for,'' Ms. Dajani said. ''In Beirut, prices have been raised enough not to allow you to cater to the midincome level.''

Research this June by Bank Audi showed real estate sales grew 19.5 percent a year from 2004 to 2009, and more than doubled in the first five months of this year.

But despite Lebanon's resilience to political upheaval, tensions have grown in recent months amid reports that an international tribunal could indict Hezbollah members in the 2005 assassination of the former prime minister, Rafik al-Hariri, the mastermind of Solidere. Sectarian rhetoric has heated up and some politicians have even warned of a return to civil war.

Anthony El-Khoury who is developing the $250 million District//S in Solidere said there is still demand but that political worries make it difficult to conclude sales.

''The political factor is the biggest risk to the market, for us as a developer, this is how we see it,'' he said.

Women-only banks fill a need as much as a niche

DUBAI

BY SHAHEEN PASHA
AND MARTINA FUCHS
REUTERS

Sarah Alzarouni, an Emirati housewife, brushed past a group of women clad in floor-length black robes, some with only their eyes showing, to enter through the frosted doors of one of Dubai Islamic Bank's women-only branches.

Clutching a Louis Vuitton bag to match her designer head scarf, Mrs. Alzarouni greeted the female tellers and bank manager with three kisses on the cheek and sat down to do business.

''I am much more comfortable working with ladies than in a mixed environment,'' said Mrs. Alzarouni, 27. ''When I come here, I feel like one of them. They understand my needs.''

''As a Muslim,'' she added, ''it is really important for me to deal with an Islamic bank.''

Many affluent Muslim women share Mrs. Alzarouni's sentiments and they are increasingly turning to Islamic banks to manage their money. These women are looking beyond basic banking services to sophisticated products that will add to their wealth while complying with Islamic principals, which include a ban on interest.

According to a report by Boston Consulting Group, women in the Middle East controlled 22 percent, or $500 billion, of the region's total assets under management in 2009.

Financial institutions in the conservative Gulf Arab region, where many women are reluctant to mix with men outside their families are tapping into the niche. Women-only bank branches and investment funds are mushrooming.

Saudi Arabia, the birthplace of Islam where unrelated men and women are forbidden to mix, is leading the charge. Women in Saudi Arabia, the world's largest exporter of crude oil, are sitting on an estimated $11.9 billion in cash, according to a report by Al Masah Capital.

The kingdom's National Commercial Bank now has 46 women-only branches. In 1980, it had just two. Saudi Hollandi Bank is planning to expand the number of its women-only branches to 15 from 11.

On the funds front, Al Rajhi Capital, one of the largest fund managers in Saudi Arabia, opened its Ladies Wealth Management Division earlier this year. It already operated a special fund, the Al Jawharah Ladies Fund, targeting Saudi women seeking to make diversified investments.

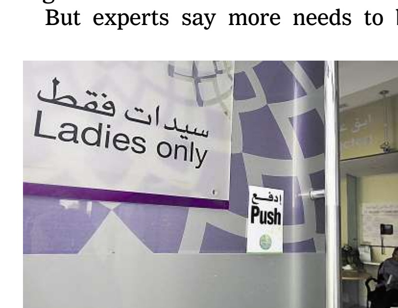
Mayfair Wealth Management, a Middle East-focused wealth management firm based in the Cayman Islands, started the Ameerah fund in the Middle East in 2009, offering advice on investments that are compliant with Islamic principles.

In Abu Dhabi, Al Bashayer Investments, a conventional wealth management firm geared to women investors, is also looking to launch Islamic products to address the needs of women in the region who prefer investments that are in keeping with their religious beliefs.

Sara Mohamed, the chief executive of Al Bashayer, said many banks with women-only branches had so far limited their services to retail banking accounts, credit cards or loans, rather than helping women to manage their assets.

''We see a lot of opportunities in the middle market,'' Ms. Mohamed said. Target clients would typically be women with senior jobs, perhaps with small children, having $100,000 to $250,000 in cash set aside for investment, and looking to build their wealth.

But experts say more needs to be



JUMANA EL-HELOUEH/REUTERS

A Dubai Islamic Bank branch for women.

done to break down the often self-imposed barriers to Gulf Arab women taking an active role in the world of investment and financial markets.

Moza Al-Otaiba, a member of Abu Dhabi's ruling family and chief executive at Al Otaiba Holdings, said she was sure that many more women wanted to be involved. ''A lot of women are not clear about investments,'' she said. ''Women are motivated to work and all around the world we see women as bread winners. But there is a barrier they need to cross.''

Industry experts say more women need to participate in the Islamic banking industry at senior levels to help develop products that appeal to a female clientele. But while the finance industry remains a boys club around the world, the glass ceiling is lower in the Middle East.

''The mind-set of management and old school guys is that women are only there temporarily and then they leave,'' Nida Raza, director of capital markets at Unicorn Investment Bank, said. ''That feeling is exaggerated here in the Gulf. Women just aren't put into higher roles in Islamic finance here.''

LOOKING AHEAD

BEIRUT

TUNISIE TÉLÉCOM PLANS LISTING ON TUNIS EXCHANGE AND IN EUROPE

Tunisie Télécom plans a dual listing by the end of the year on the Tunis exchange and a European bourse, according to Mohamed Bichiou, the head of the Tunis stock exchange.

He said the Tunisian state would contribute 10 percent of the company's shares, while 10 percent would come from shareholders in United Arab Emirates. Mr. Bichiou did not specify on which European exchange the company would be listed in his comments Monday.

DUBAI

GROWTH OF 2.3% IS FORECAST FOR DUBAI'S ECONOMY IN 2010

Dubai's economy is expected to grow by 2.3 percent this year as the Gulf emirate recovers from the global crisis, Arif Obaid al-Muhairi, director of the Dubai Statistics Center, said in comments posted on the center's Web site.

The global credit crunch ended an oil and real estate driven boom throughout the United Arab Emirates last year, while Dubai's own debt woes have slowed its economic recovery in 2010.

Mr. Muhairi's forecast is more optimistic than that of the International Monetary Fund, which said on Sunday that a pick-up in foreign trade was likely to fuel growth of a modest 0.5 percent in Dubai's economy this year.

MANAMA, BAHRAIN

BAHRAIN EXPECTS TO RUN DEFICIT OF $2.16 BILLION IN 2011 AND 2012

Bahrain expects to run a budget deficit of 813 million dinars, or $2.16 billion, in 2011 and 2012, which the small oil producer plans to cover by raising more debt, the Bahrain News Agency reported.

The country's cabinet had referred a draft law to Parliament that sets state revenues at 4.4 billion dinars and expenditure at 5.3 billion dinars during those two years, B.N.A. said. The spending forecast for 2011 and 2012 is up 26 percent from an estimated 4.13 billion dinars for the previous two years.

RIYADH

SAUDI TELECOM WEIGHS A BID FOR MOBILE LICENSE IN SYRIA

Saudi Telecom is interested in bidding for a mobile license in Syria, one of the few countries in the region with low mobile penetration and promising growth chances, it said.

Last month, Syria tendered to sell a third mobile operator license, with a Nov. 14 deadline for submitting a prequalification application. Turkey's Turkcell and Kuwait's Zain have also expressed interest in the market in Syria, with a population of 20 million and about 7 million mobile phone users.

LOOKING BACK

CAIRO

EGYPT MOBILE OPERATOR CITES RISE IN SUBSCRIBERS AMID FALL IN PROFIT

The Egyptian cellphone operator Mobinil said it had gained subscribers in the third quarter while lower usage and higher advertising costs during Ramadan had resulted in a lower net profit.

The company said it had added 2.3 million mobile subscribers in the quarter to bring its total to 28.4 million. Mobinil signed on fewer than 1 million subscribers in the first half, blaming the result on delays in the introduction of a new dial system, allowing its main rival, a local unit of Vodafone, to close in on its leading position.

Net profit, including that of its newly acquired Internet business, fell to 280 million Egyptian pounds, or $48.5 million, in the quarter from a restated figure of 491 million pounds the previous year.

ABU DHABI

EMIRATES INVESTMENT FIRM WAHA BUYING 20% STAKE IN AERCAP

Waha Capital of Abu Dhabi agreed to acquire a 20 percent stake in AerCap Holdings in a transaction valued at $380 million, making it one of the biggest shareholders in the Dutch aircraft leasing firm.

The deal will help the investment holding company gain a global presence at a time when the oil-rich emirate is aiming to become a regional center for manufacturing aircraft parts.

ALGIERS

TALKS ON NATIONALIZING UNIT OF ORASCOM ARE POSTPONED

Algeria has said it will not begin talks on nationalizing Orascom Telecom's local mobile-phone unit, Djezzy, until next year, casting fresh doubt on a $6.6 billion deal for Vimpelcom to buy Orascom assets.

Algeria is blocking the transfer of Djezzy to Vimpelcom, holding up a deal that would create the world's fifth-biggest mobile phone operator.

Analysts had previously predicted that the future of Djezzy — Orascom Telecom's biggest source of revenue — would be settled within a few months, but the Algerian telecommunications minister, Moussa Benhamadi, said talks would be held in the first half of 2011.