

The Real Estate Market in Lebanon Economic sustainability and Major Impacts

Yaacoub Saade, Lebanon

SUMMARY

Throughout the second half of the past decade, the Lebanese real estate sector has been living a fairy tale journey; with real estate prices rising frantically at a time of a global economic downturn added the dramatic crashes in real estate prices regionally and abroad.

In addition, the real estate sector was considered as a cash cow for the Lebanese economy, attracting billions of dollars in investments and spurring economic growth. This rosy picture turned bleak, however, since the onset of the year 2011,

and this on the back of a plethora of destabilizing factors including the governmental void during the first half of the year coupled with the strained regional political situation stemming from the Arab Spring, the repercussions of which are still precipitating until today. As a result, demand for real estate properties waned with real estate transactions slowing dramatically and prices in general stagnating, halting as such a five-year rapid acceleration spree.

Moreover, the exorbitant rise in prices to record highs created new shifts in consumer preferences, crowding out middle-income homebuyers of the capital Beirut to its suburbs, and towards the more affordable smaller flats.

On their end, real estate developers, and after starting to feel the pinch of the downturn in the real estate sector, catered for the new preferences of homebuyers by supplying smaller apartments in an endeavor to increase their turnover rates at the expense of slicing their profit margins. As far as the short-term outlook of the sector is concerned, we expect prices to remain sticky on the downside, hovering more or less around their current levels, with the bargaining power clearly shifting from suppliers to consumers.