



SALE AND RENTAL STRATEGY

Improved expectations, fueled by a changed institutional and market environment, renewed investors' interest in Beirut city center property, causing a reversal of the sale slowdown prevailing since 1998. The surge in demand experienced in the last six months included land plots destined to accommodate large-scale developments. SOLIDERE was thus able to realize its sales objectives. Rental activity concurrently pursued its ascent.

The city center started eliciting investors' interest as early as 1995, and this was translated into substantial property sales and rentals over the last seven years. During the early years after SOLIDERE's inception, the operations consisted only in the sale of property for development, be it unbuilt lots, or built lots sold as is, i.e. without restoration. The gradual delivery of the Company's real estate projects was accompanied by a growing importance of sale and leasing operations involving complete new or restored properties, or space therein.

The Company's marketing policy, flexible enough to allow for adjustment and revision according to market developments and other changes, is reflected in a healthy mix of sale and rental operations. The objective from either sales or leases is not only to obtain cash, but also to infuse dynamism into the BCD. SOLIDERE's sale and rental strategy, combined with the Company's own real estate projects, has ensured the speedy restoration, reconstruction and occupation of the historic core and the residential neighborhoods, as well as an early launching of developments in the new sectors of the city center.

SOLIDERE has three main client categories: local and foreign banks and corporations; individual clients, national and foreign executives; international organizations and foreign embassies; local official or private institutions, including those providing cultural, educational or health services. In addition to encouraging the return of previous property owners or tenants, SOLIDERE has attracted magnets and been instrumental in relocating expatriates and foreign companies into Beirut.

The Company follows up closely on the sale and leasing of finished products by buyers-developers in addition to its own, as part of its careful monitoring of the demand and supply of real estate in the BCD.

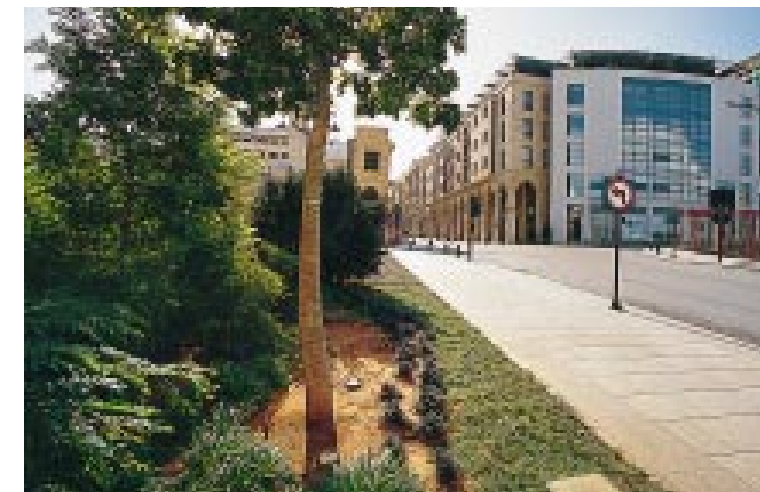
Land Sales Record

The aggregate sales realized since the Company's inception amount to US\$498 million, representing 473,500 sq m of floor space. Yearly sales revenues rose from US\$22.5 million in 1995 to US\$92.4 million in 1996 and peaked at US\$144 million in 1997. As recession set in, they diminished to US\$117.9 million in 1998. The fall was accelerated in the two following years, as a result of administrative delays affecting the issuance of construction and occupancy permits in the BCD, with sales sharply dropping to US\$37.5 million in 1999 and plummeting to US\$6.3 million in 2000.

A reversal of this downward trend was registered during the last year, reflecting an improvement in the market and an increased demand for BCD property.

The publication of decree 5714 of June 19, 2001, updating and amending the BCD Master Plan and finalizing the determination of the reconstituted public domain, marked a turning point in the SOLIDERE sales, as it allowed the implementation of parcel subdivision and regrouping schemes, and eased regulatory approvals for developers' projects.

The subsequent finalization of a number of previously signed and new sale agreements enabled the Company to realize an important financial objective for 2001; and to conclude, after year end, seven land sale deals constituting the core of its 2002 sales revenues.



New construction on lots sold by SOLIDERE

*Pages 37-38: Banque Audi headquarters.
Left: Atrium building.
Below: Société Immobilière de Presse building.*



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Sales Results

The sales realized during the year under review amounted to US\$77.5 million, representing 74,946 sq m of floor space. Of this total, US\$63.3 million represent land sales, and US\$14.2 million are residential sales.

In 2000, provisions for doubtful sales receivables amounted to US\$19.9 million. These provisions were reduced to US\$15 million in 2001, due to the reversal of provisions relating to the cancellation of previously recognized sales contracts.

Compared to the two previous years, 2001 saw an improvement in the collection of notes receivables. Outstanding receivables amounting to US\$10.1 million were overdue at year-end. The Company has taken all necessary legal measures to protect its rights and to enforce the collection of its receivables.

Totaling US\$30 million at year-end, the sales backlog increased until the date of issuance of the audited financial statements, to reach US\$164 million representing 153,435 sq m of floor space. The latter figure includes US\$148.1 million of land sales and US\$15.9 million of real estate sales, of which US\$8.3 million are residential sales.

The downpayments received on signed deals as at December 31, 2001 amount to a net value of US\$9.3 million, of which US\$1.6 million relate to the sale of units in the gold and jewelers' market which is part of the Souks of Beirut project. Downpayments are treated as deferred revenues and will only be recognized as part of revenues upon sales realization.

Sale Procedure

Regarding the sale of property for development, an agreement including all pre-development and construction timetables, together with payment conditions, is signed upfront. The sale is expressed in terms of floor space ('built up area' or 'net development rights').

The property transfer registration before the Real Estate Registrar takes place on signature or shortly thereafter in case some technical conditions remain to be fulfilled, such as subdivision and regrouping needed to create the sold lot.

SOLIDERE has pursued in the year 2001 its policy of offering buyers the possibility to defer part of the sale price payment, thus enabling them to better plan the financing of their investments. Concomitant with property transfer registration, the buyer has to provide SOLIDERE with a first degree mortgage on the property as a guarantee against outstanding payments, and to submit a bank guarantee as security for the proper and timely execution of all construction-related works.

SOLIDERE's supervisory role continues throughout the development period, with Company engineers coordinating with the developers' architects.

Leasing

The Company leases space in developed properties, new or restored, in parking lots and in vacant lots for short-term activities held in temporary structures.

The leasing of the Company's properties or space therein started with UN House in 1997, and continued with the delivery of restored and new residential, office and commercial space, including Saifi Village and the embassy compound near the Serail hill.

As at end 2001, property rented out by SOLIDERE had a gross value of US\$162 million (US\$156 million after depreciation), consisting of US\$113.8 million in buildings, US\$45.1 million in land and US\$3 million in other assets.

The 2001 rental revenues amounted to US\$10.1 million: US\$1.8 million from residential space in Saifi Village and in restored buildings; US\$8.1 million from commercial space, including UN House, the embassy compound and restored buildings; and US\$0.2 million from parking space or vacant lots. Rental revenues are expected to increase to approximately US\$15 million in 2002.

Downpayments received on lease agreements and reservation deposits, amounting to US\$4.4 million, are treated as deferred revenues and not recognized as part of revenues.



Above: Block 70 office building.
Right and below: retail space in Saifi Village.



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Property Marketing

The Company has been successful in the marketing of delivered residential space, both new and restored.

As at April 25, 2002, of the 136 Saifi Village apartments totaling 30,708 sq m of floor space, 36 had been leased, 38 sold and 62 leased with an option to buy.

Similarly, all of the 86 restored flats totaling 48,385 sq m of floor space had been marketed, with agreements signed for 70 flats representing 44,917 sq m (46 leases, 6 sales, 18 leases with an option to buy), and the balance due for conclusion upon project delivery. In these residential buildings, signed agreements for 6 shops and 17 underground parking spaces will be followed by others for 2 shops and 2 parking spaces.

At the same date, the Company had signed 61 agreements relating to commercial restored buildings involving 5994 sq m of office space, 7,695 sq m of retail space and 28 parking spaces.

In the 9,300-sq m embassy compound, rental agreements were concluded with two foreign embassies for 4,987 sq m of office space. The Company expects to conclude two other rental agreements before the end of this year, hence ensuring full occupancy of the complex.

Below: development near the Serail hill; left to right, office building; residential complex.



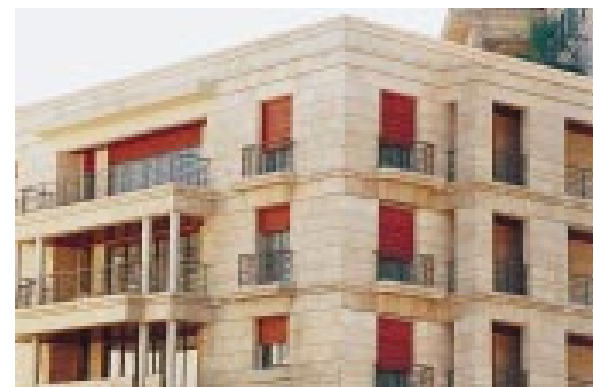
Prospects for the Future

At least seven signed sales deals, amounting to approximately US\$143.4 million and representing approximately 142,000 sq m of floor space, are expected to be finalized in the current year and recognized in the 2002 income statement.

The Company is firmly relying on growth in its rental income as it steps up the delivery of new and restored residential and office buildings. Based on lease agreements signed to date or expected to be signed before the end of the current year, SOLIDERE expects its rental revenues to reach US\$15 million in 2002. This level of rental activity will cover operating expenses, i.e. overheads, depreciation etc, but excluding net interest and other financial costs.

Both sale and rental revenues are expected to be strongly boosted upon delivery and marketing of the Souks of Beirut project. Assuming it is delivered by early 2004, rentals in that year are expected to reach US\$30 million.

While maintaining the high standards of its products and services, SOLIDERE's short-term sale and rental strategy aims at increasing sale and rental profitability through the possible adoption of prices and payment terms which are more to its advantage. The Company plans to achieve this objective by completing the city core reconstruction and strengthening residential development in the traditional neighborhoods and on the seafront, thereby creating a critical mass.



*Residences with a view:
Marina Towers, Parkview Realty and Block 24 s.a.l.*

