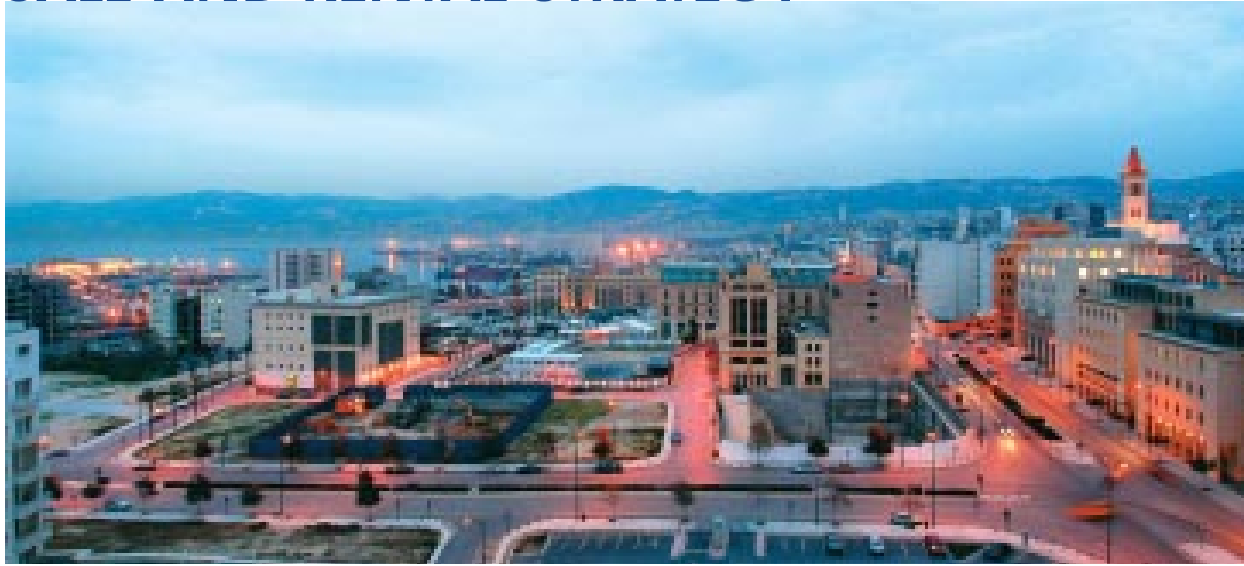


## SALE AND RENTAL STRATEGY



Investment in Beirut city center gained momentum as renewed demand for real estate property and development land was translated into effective sales with an important impact on the 2002 results, and new deals expected to secure similar revenues for 2003.

The Company focused on new sales, with major deals negotiated during the year. Rental activity concurrently pursued its ascent.

As early as 1995, the city center started eliciting investors' interest with a variety of properties offered there. As a land bank with a large property portfolio, Solidere sells lots for residential and office projects, hotel, retail and specialized uses. During the early years after Solidere's inception, the operations consisted only in the sale of property for development, be it unbuilt lots, or existing buildings sold as is for development or renovation.

The delivery of the Company's real estate projects was accompanied by a growing importance of sale and leasing operations involving finished products. These could be new or preserved buildings, or parts thereof. Solidere has constructed buildings destined for specific long-term tenants. Finally, vacant lots may be leased for temporary activities.

A 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 both is not only to obtain cash, but also to infuse dynamism into the BCD. Solidere's strategy has thus ensured the speedy restoration, reconstruction and occupation of the historic core and residential neighborhoods, as well as an early launching of developments in the new sectors of the city center.

Solidere's clientele include local and foreign banks and corporations; individual clients, national and foreign executives; international organizations and foreign embassies; local official or private institutions. In addition to encouraging the return of previous property owners or tenants, Solidere has attracted magnets and has 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.

### Sales Record

The aggregate sales realized since the Company's inception amount to US\$627 million representing around 561,000 sq m of floor space. Yearly sales revenues rose from US\$22.5 million in 1995 to US\$92.4 million in 1996 and US\$144 million in 1997. The fall to US\$117.9 million in 1998 due to recession was further aggravated in the two following years by Master Plan issues which delayed construction permits. Sales fell to US\$37.5 million in 1999 and plummeted to US\$6.3 million in 2000. This downward trend was reversed since, with sales jumping to US\$77.5 million in 2001 and US\$128.9 million in 2002.

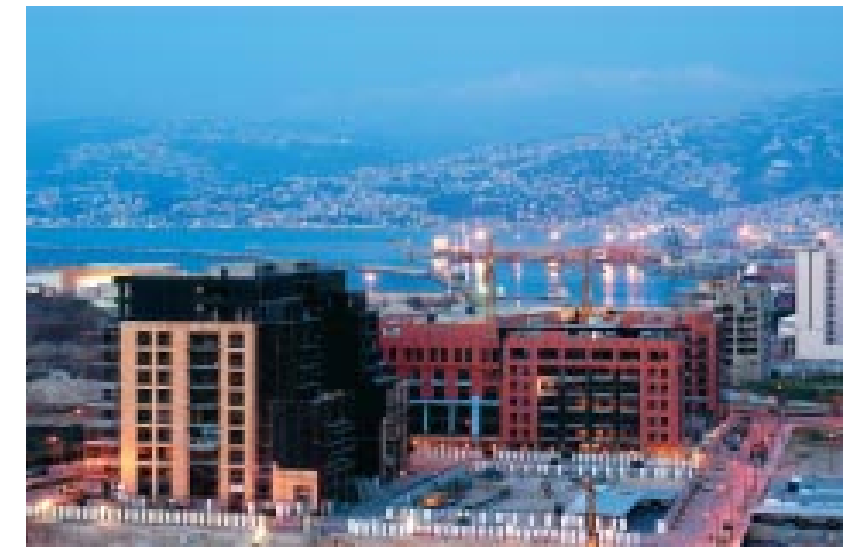
### Sales Results

The sales realized during the year under review amounted to US\$128.9 million representing 126,843 sq m of floor space. Of this total, US\$122.1 million are land sales and US\$6.8 million are residential real estate sales.

Recognized sales revenues are net of cancelled sales, settlement costs and provisions for settlement costs and doubtful sales receivables. Compared to the two previous years, 2002 saw a faster collection of notes receivables. Outstanding receivables amounting to US\$6.4 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. The resolution of issues relating to some previous sale agreements allowed a reversal of provisions relating to these contracts. The amount of US\$2.9 million was thus written back into the income statement in 2002.

The sales backlog totalling US\$95 million at year end includes US\$80 million of land sales and US\$15 million of real estate sales, of which US\$7.4 million are residential sales.

The downpayments received on signed deals as at December 31, 2002 amount to a net value of US\$29.2 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 AND RENTAL STRATEGY

### Developers' schemes



Above, left to right: Garden Square, furnished apartments and retail, 1369 Mina El Hosn, proposal submitted to Directorate General for Urbanism (DGU) for approval; Hilton on the Park, 129 Mina El Hosn.

Above, left to right: Périètre Immobilier, offices and retail, 1459 Marfaa; 1331 Park Avenue, offices and retail, 1331 Mina El Hosn.



Left to right, above: Taha Koleilat, hotel and retail, 1338 Mina El Hosn; Radium, offices and retail, 114 Marfaa (lot under subdivision and regrouping); below: Avenue Plaza, residential and retail, 1444 Mina El Hosn; Global Rayess, offices and retail, 1342 Mina El Hosn; 1330 Park Avenue, residential and retail, 1330 Mina El Hosn.

Left to right, above: Bab el Seray, mixed-use development, 1489 Marfaa (lot under subdivision and regrouping), proposal submitted to DGU for approval; below: Mira residential building, lot 1394 Mina El Hosn (lot under subdivision and regrouping); Al Mashrek insurance headquarters and retail, lot 1080 Salfi.



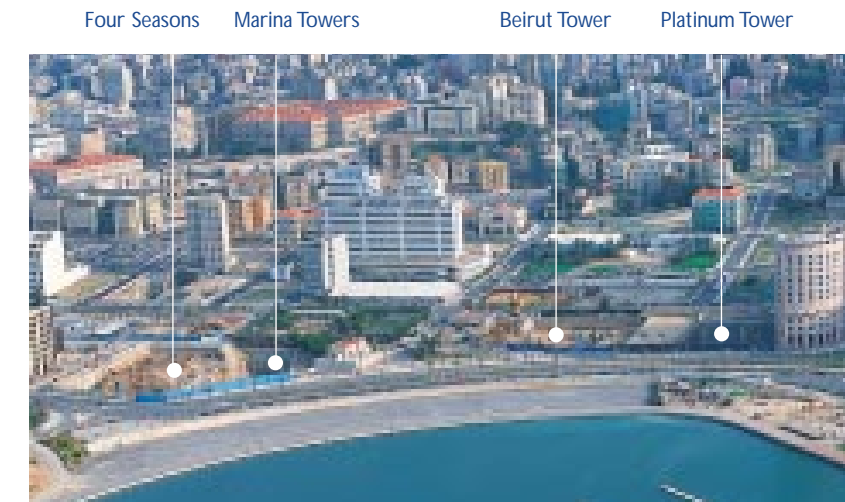
**SALE AND RENTAL STRATEGY**

**Mina El Hosn residential and hotel towers with a view**

*The view from Platinum Tower.*



Nabil Gholam in association with Ricardo Bofill



*Proposals submitted to DGU for approval. Left to right: Beirut Tower on lot 1401, with pedestrian bridge leading to the Beirut Marina; Platinum Tower on lot 1421.*



Samir Khattallah & Partners - Wimberly Allison Tong & Goo



Nabil Gholam in association with Ricardo Bofill



Dar Al Handasah Shair & Partners

*Four Seasons Hotel.*

*Marina Towers.*



Kohn Pedersen Fox Associates

## SALE AND RENTAL STRATEGY

### Real Estate Sales and Leases

In addition to a privileged location, the finished real estate products offered by Solidere enjoy quality design, construction and property management services.

A pleasant living milieu is provided by the functional and elegant flats delivered by Solidere in new or restored, low-rise, apartment buildings. Alternative schemes are offered, allowing a simple lease, a lease with option to buy or an outright sale. Buyers can benefit from payment facilities.

Retail space, already popular in the restored commercial buildings of the Conservation Area, is also offered in Saifi Village, where a number of convenience stores are needed.

This is encouraged by the pedestrian-friendly environment, the presence of a growing resident and working population, and an increasing flow of clients from other parts of the city and country as well as visitors from Arab and other countries. By far the most important retail space will be provided in the Beirut Souks' 100,000 sq m floor area.

Commercial space made available by Solidere offers several advantages: location among financial headquarters and official institutions, easy access by car or public transport from the rest of the city and country with a ten-minute drive from the airport, modern infrastructure, services and car park facilities, sound structural specifications and intelligent building features. A quality public domain and a vibrant restaurant and shopping environment brings a relief to the busy population of the city center offices. Currently on offer for rental are offices in new or renovated buildings.

### 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 parcel subdivision and regrouping needed to create the sold lot.

Solidere pursued in the year 2002 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

Aside from the sale of restored buildings, or units in new or restored buildings, Solidere has been increasing its portfolio of income-generating developed properties, new or restored. The Company has dedicated some buildings to a single institutional tenant, such as UN House and Block 70. It also leases units in its buildings, as well as car-spaces in parking lots, and vacant lots for strategic short-term activities held in temporary structures.

The Company's gross rental revenues rose from US\$7.4 million in 2000 to US\$10.2 million in 2001 and US\$14.1 million in 2002.

As at end 2002, property rented out by Solidere had a gross value of US\$158.5 million (US\$150.2 million after depreciation), consisting of US\$111.9 million in buildings, US\$43.50 million in land and US\$3.1 million in other assets.

The 2002 rental revenues were as follows: US\$2.9 million from residential space in Saifi Village and in restored buildings; US\$10.2 million from commercial (office and retail) space; and US\$0.5 million from parking space or vacant lots.

Downpayments received on lease agreements and reservation deposits, amounting to US\$5.1 million, are treated as deferred revenues and not recognized as part of revenues.

### Property Marketing

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

As at end 2002, of the 136 Saifi Village apartments totalling around 30,700 sq m of floor space, 35 had been leased; 52 were leased with an option to buy; and 49 were sold, with 14 sold as a result of exercising options to buy. Lease agreements were also signed for seven shops.

Similarly, 84 agreements relating to restored houses or flats had been signed, totalling 18,400 sq m of floor space. They represent around 10,400 sq m of leases; 5,000 sq m of leases with an option to buy; and 3000 sq m of sales.

At the same date, the Company had signed 47 other agreements.

Of these, three agreements total around 27,700 sq m of floor space in institutional office buildings: the entire UN House and part of the embassy compound. Agreements expected to be concluded before the end of this year should ensure full occupancy of the embassy compound.

16 agreements relating to space in restored commercial buildings were also signed, of which 4,600 sq m of office space, and 18 retail units with a 6,800-sq m floor area.

### Property Services Management

The Company undertakes the management, operation and maintenance of its delivered buildings. These include 20 new buildings, 24 restored buildings, the Souks car park and the Weygand street car park facing the Municipality.

Extending its services to other property owners, Solidere signed several agreements for the marketing of third-party properties, prior to undertaking their management and maintenance. It is currently offering six such buildings the following services: technical maintenance, cleaning, safety, security and the maintenance of landscaped areas; marketing, lease management, including drawing up budgets, arranging insurance, collecting rents, preparing assets inventories, subscribing to utilities, tackling co-ownership issues and paying real estate and municipal taxes. The Company expects to derive increasing revenues from property management services in the coming years.

Solidere currently provides site logistics services, including cleaning, safety, security; the operation and maintenance of completed infrastructure, electro-mechanical systems and temporary parking pending the completion of the car park projects; as well as the operation and maintenance of completed landscaped open spaces, streets and medians.

The Company is also geared to provide management and operation services to infrastructure, marinas, public utilities, car parks and landscaped open areas, following their handing over to the public authorities.

### Prospects for the Future

At least 16 signed sales deals, amounting to approximately US\$95 million are expected to be finalized in the current year and recognized in the 2003 income statement.

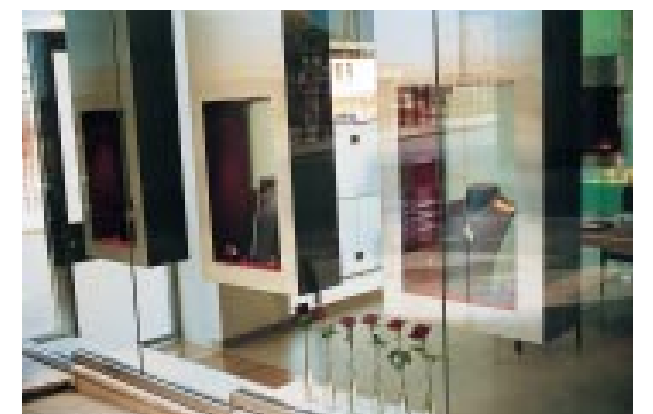
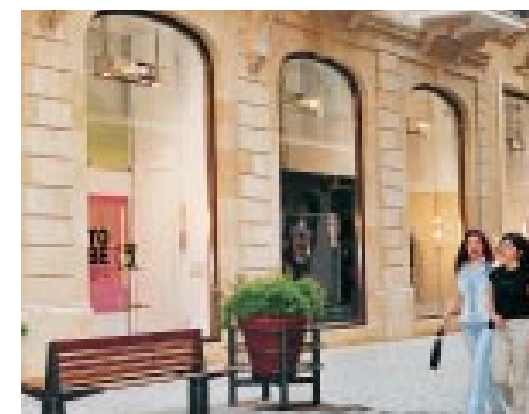
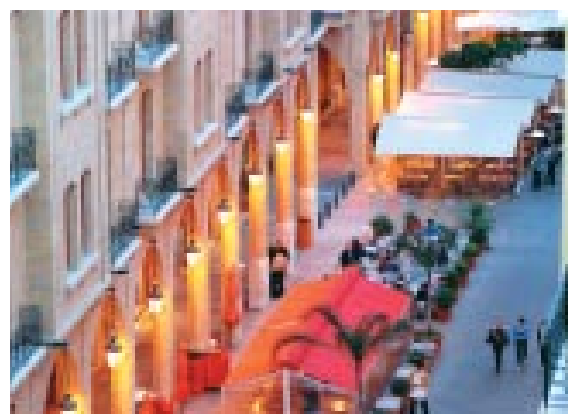
The Company is firmly relying on growth in its rental income as it steps up the delivery of new and restored buildings. Based on lease agreements signed to date or expected to be signed before the end of the current year, Solidere expects its rental revenues to reach US\$16 million in 2003.

Both sale and rental revenues are expected to be strongly boosted upon delivery of the Souks of Beirut. Assuming a delivery by early 2005, rentals in that year are expected to reach US\$30 million.

Solidere has launched concept designs for new projects on some lots, with a view to either developing them itself or selling the lot with the concept design to third-party developers. On lot 1059 Saifi, which devolved back to Solidere following the settlement of the dispute regarding its past sale, a residential project is envisaged as a continuation of the Saifi neighborhood.

The Company commissioned the French firm Architecture Studio to design the Grand Theatre block as an integrated project consolidating two historic buildings and a vacant parcel.

# DESIGN FOR LEISURE



# MODERN INTERIORS

