

SALES REVENUES ROSE, SUSTAINED BY A SUBSTANTIAL SALES BACKLOG. MANY PROJECTS, SOME OF IMPORTANT PROPORTIONS, WERE PURSUED, REGIONAL INVESTORS CONTINUING TO GIVE STRONG INDICATIONS OF INTEREST IN BEIRUT CITY CENTER. THIS WAS EVIDENCED BY A STRONG PICK-UP OF NEGOTIATING ACTIVITY AT THE END OF THE YEAR. RENTAL ACTIVITY MAINTAINED ITS HEALTHY PACE DUE TO CONTINUING DEMAND FOR QUALITY SPACE AND SERVICES.

As land bank with a considerable property portfolio, Solidere markets a wide range of land and built space for residential, office, hotel, retail and other specialized uses. In the early years, sales mainly involved un-built lots and existing buildings sold 'as is' for renovation or development. The delivery of Solidere real estate projects led to a growing volume of sale and leasing operations involving finished products, new or preserved buildings or parts thereof.

Since 2005, the Company has been holding on to its portfolio of finished products, leasing space in it to generate income flows, and will continue to do so in the foreseeable future as part of its revenue diversification strategy. Solidere actively supports developers and monitors the demand and supply of real estate in the city center, to the benefit of all.

In any given year, the sales recognized in the income statement consist of closed deals negotiated in that year and in preceding ones. On the other hand, the deals negotiated up to that year and not closed during the year make up the sales backlog at year end. Aggregate sales of US\$1.67 billion have been recognized from inception to end 2007 (1,456,609 sq m of floor space), of which US\$288.5 million (224,500 sq m) in 2007.

SALES RESULTS

Gross land sales of US\$288.5 million were recognized during the year 2007 (US\$255.2 million in 2006). Solidere has stopped selling finished products in order to build a portfolio of income-generating properties. However, such deals closed in previous years and recognized in 2007 amount to US\$7.7 million representing 3,979 sq m of floor area (US\$0.96 million, 499 sq m in 2006).

At end 2007, the backlog of closed sales not recognized during the year amounted to US\$914.1 million (443,000 sq m BUA). Also in the backlog are US\$8.82 million (4,532 sq m BUA) of apartments for which title transfer is awaiting occupancy permits as the lots need final parceling, plus commitments of US\$8.5 million relating to the pre-sales of units in the Beirut Souks Jewelers' Area, concluded a number of years ago.

Downpayments received on signed deals as at end 2007 amount to US\$124.2 million: US\$120 million from land sales and US\$4.2 million from the sale of residential space. Downpayments are treated as deferred revenues, to be recognized as part of revenues only upon sales realization.

REAL ESTATE LEASING

Solidere's portfolio of income-generating properties includes UN House and lot 1 Zokak El Blatt, each leased to a single institutional tenant, and a compound dedicated for embassy use. The Company also leases space in its buildings, in car parks and mooring spaces in Beirut Marina. At end 2007, the value of leased properties was US\$170.5 million (US\$150 million after depreciation): US\$124 million in buildings, US\$42 million in land and US\$4.5 million in other assets.

Gross rental income from leased space, including parking spaces and marina berths, was US\$20.8 million, against US\$7.5 million, US\$10.2 million, US\$14.1 million and US\$15.4 million in 2000 to 2003; US\$18.6 million, US\$20.8 million and US\$20.7 million in 2004 to 2006. Downpayments received on lease agreements are treated as deferred revenues and not recognized as income. Residential leases relate to new and restored flats in Saifi, Zokak El Blatt and Wadi Abou Jamil. Leased office space relates to UN House, lot 1 Zokak El Blatt and the embassy compound. Other commercial space relates to offices and shops in restored buildings, as well as shops in Saifi Village.

SALES PROCEDURE PAYMENT SCHEMES

A sale agreement which includes pre-development and construction standards and timetables, as well as payment conditions, is signed upfront. Sales are expressed in terms of floor or built-up area (net development rights).

Property transfer is registered before the Real Estate Registrar upon signing the final sale deed, following fulfillment of technical and legal conditions, together with the mortgage contract in case of finance. Solidere pursued in 2007 its policy of offering buyers the possibility to either pay cash or defer part of the sale price payment, thus enabling them to better plan the financing of their investments.

Concomitant with the property transfer registration, the buyer / developer provides Solidere with a first-degree mortgage on the sold property as a guarantee against any outstanding payments. A bank guarantee also provides security for proper and timely execution of all construction works.

PROPERTY
MARKETING

The Company has been successful in marketing its residential, commercial and institutional space, new and restored. As alternatives to a simple lease, schemes such as lease with option to buy or outright sale were offered for residential space until 2002 and 2004 respectively. Buyers could also benefit from payment facilities. From 2005, property sales or options to buy were discontinued, with only leases continuing to generate income flows, and no outstanding options to buy at end 2007.

From the 136 Saifi Village apartments, totaling 29,707 sq m of floor area, 134 apartments had been marketed by end 2007, of which 38 (6,980 sq m) are leased and 96 (22,558 sq m) were sold, 61 (13,279 sq m) after exercising options to buy, while two apartments (169 sq m) are available for rent. Concurrently, from 40 restored houses or flats in Saifi, totaling 8,604 sq m in floor space, 37 agreements had been signed at year end. They represent 3,779 sq m of leases and 4,684 sq m of sales, of which 4,024 sq m as a result of exercising options to buy, with three apartments (141 sq m) available for rent. Lease agreements had also been signed for a nursery (240 sq m) and for 34 shops (3,612 sq m), as part of Quartier des Arts.

In Zokak El Blatt, 87 apartments, with 12,951 sq m of floor space, had been the subject of agreements at year end. They represent 9,664 sq m of leases and 2,854 sq m of sales, of which 979 sq m as a result of exercising options to buy, with 12 apartments available for rent. In Mina El Hosn, nine agreements for 3,432 sq m of residential floor space had been signed: 372 sq m as leases and 3,060 sq m as sales, of which 1,971 sq m as a result of exercising options to buy.

Also at year end, the Company had five lease agreements totaling 33,630 sq m of floor space in new office buildings: UN House, lot 1 Zokak El Blatt and most of the embassy compound. In the Maarad and Foch-Allenby restored office buildings, 19 lease agreements for 9,710 sq m, as well as 16 lease agreements relating to 3,575 sq m of retail space, had been signed.

PROPERTY
MANAGEMENT

Solidere provides complete full-time property management, operation and maintenance services for all its properties. These include the new and restored buildings, the Souks, Weygand street and block 93 car parks. In UN House, electro-mechanical and civil works are provided as per an operation agreement with ESCWA. Extending its services to other property owners, Solidere signed agreements for the marketing of several third-party properties, prior to undertaking their management and maintenance.

The Company is currently offering 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. Solidere expects to derive increasing revenues from property management services in the coming years.

fig.1 Dar Al-Handasah, Four Seasons Hotel, lot 1418
Mina El Hosn and Kohn Pedersen Fox Associates / Dar
Al-Handasah, Marina Towers complex, lot 1354 Mina El Hosn
fig.2 Wimberley Allison Tong & Goo / Samir Khairallah, Beirut
Tower, lot 1401 Mina El Hosn, and Ricardo Bofill / Nabil gholam,
Platinum Tower, lot 1421 Mina El Hosn, Samir Khairallah,
Monroe Hotel, lot 1400 Mina El Hosn



fig.2

FUTURE
PROSPECTS

Solidere is firmly relying on growth in its rental income as it steps up the delivery of new and restored buildings. Rental revenues are expected to be strongly boosted, upon delivery of the Beirut Souks, by far the most important Solidere real estate project and its flagship commercial development. Rentals are then expected to reach close to US\$65 million from 2010.

