

# SALE AND RENTAL STRATEGY

Solidere's strategy is to stimulate high quality real estate development in the city center. Its support to investors has expanded in the last years to cover project design and development. In addition to providing development briefs based on sector plans and adapted to project sites, the Company commissioned Lebanese and international architects to prepare concept designs for a number of lots, with obvious benefits for prospective buyers, to whom Solidere sometimes sells land with a real estate program, architectural design and even a development package.

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\$1.93 billion, have been recognized from inception to end 2008 (1,577,456 sq m of floor space) of which US\$257 million (120,847 sq m) in 2008.

## SALES RESULTS

Gross land and real sales of US\$256.6 million were recognized during the year 2008 (US\$288.5 million in 2007). Solidere has stopped selling finished products in order to build a portfolio of income-generating properties. Deals closed in previous years and recognized in 2008 amount to US\$8.5 million, representing 4,312 sq m of floor area (US\$7.7 million, 3,979 sq m in 2007).

At end 2008, the backlog of sales not recognized during the year amounted to US\$605.5 million (278,289 sq m BUA). Also in the backlog are US\$1.7 million (955 sq m BUA) of apartments for which title transfer is awaiting occupancy permits as the lots need final parceling.

Downpayments received on signed sales deals as at end 2008 amount to US\$229.7 million. 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 2008, the value of leased properties was US\$240 million (US\$216.8 million after depreciation): US\$180 million in buildings, US\$56 million in land and US\$4 million in other assets.

Gross rental income from leased space, including parking spaces and marina berths, was US\$21.7 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, and US\$20.8 in 2007.

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).

Solidere pursued in 2008 its policy of offering buyers the possibility to either pay cash or defer part of the sale price payment. Financing 75% of the land sales value by Solidere from its own equity continued, following the standard formula on the basis of four equal maturities carrying interest at LIBOR plus a margin of 2.5% with a floor.

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. Concomitant with the property transfer registration, the buyer / developer provides Solidere with a first-degree mortgage on the sold property as 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 no outstanding options to buy since end 2007, and only leases continuing to generate income flows.

From the 136 Saifi Village apartments, totaling 30,697 sq m of floor area, 133 apartments had been marketed by end 2008, of which 37 (7,176 sq m) are leased and 96 (22,558 sq m) were sold, 61 (13,279 sq m) after exercising options to buy, while three apartments (592 sq m) were available for rent. Concurrently, from 40 restored houses or flats in Saifi, totaling 9,145 sq m in floor space, 39 agreements had been signed at year end. They represent 4,268 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 one apartment (193 sq m) available for rent. Lease agreements had also been signed for a nursery (240 sq m) and for 39 shops (3,982 sq m), as part of Quartier des Arts.

In Zokak El Blatt, 87 apartments with 16,135 sq m of floor space, had been the subject of agreements at year end. They represent 12,670 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 two apartments available for rent (611 sq m). In Mina El Hosn, 20 agreements for 6,608 sq m of residential floor space had been signed: 1,205 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, with eight apartments available for rent (2,343 sq m). 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, 21 lease agreements for 9,881 sq m, as well as 17 lease agreements relating to 3,631 sq m of retail space, had been signed.

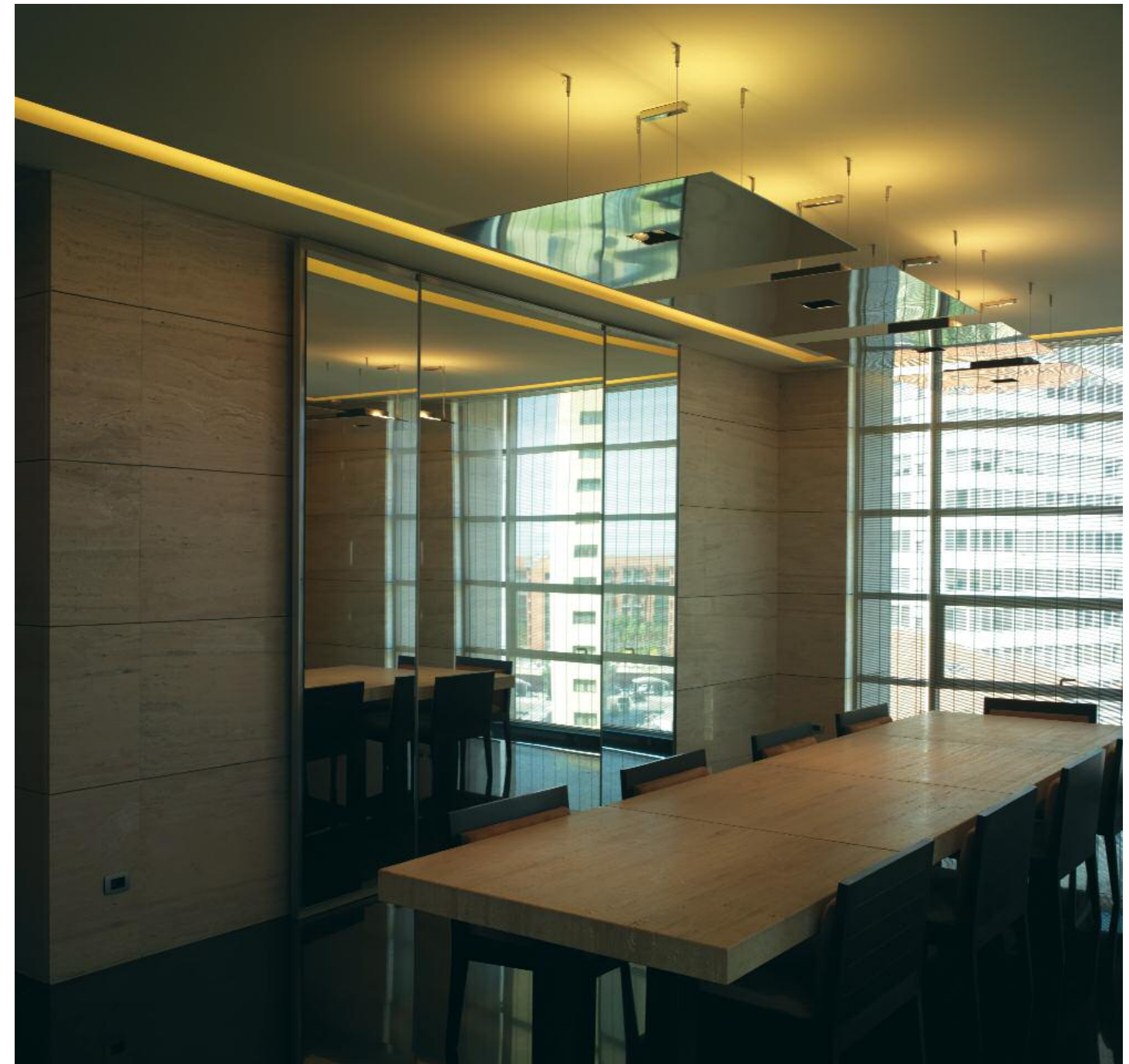
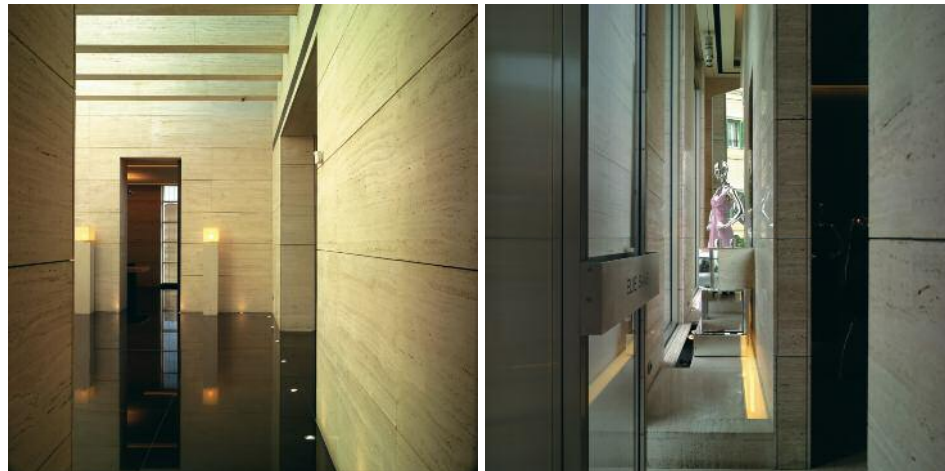
## PROPERTY MANAGEMENT

Solidere provides complete full-time property management, operation and maintenance services for all its properties. These include the new and restored buildings, the Beirut 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.

## 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 will be strongly boosted by the delivery of Beirut Souks, by far the most important Solidere real estate project and its flagship commercial development.



top and opposite Elie Saab Haute Couture, Chakib Richani