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## Office Spaces and Housing Units Both Feeling the Slump

When discussing the real estate market, a common misconception leads many to think only about the residential segment of the market. However, the real estate market encompasses the housing segment and the commercial segment which refers to office spaces, malls, F&B clusters... etc.

A lot of ink has been poured on the housing market in Lebanon and its trends over the past couple of years. In fact, real estate is a preferred type of investment for the Lebanese and home ownership is held in high regard as a form of security. In the below report we aim to depict the trends relative to the commercial real estate market, more specifically office spaces and F&B clusters.

It appears that the general slump affecting the housing market also caught up to commercial real estate. According to RAMCO, Real Estate Advisers, the area of office projects under construction reached its lowest in 4 years as it totaled 164,754 Square Meters (SQM) in 2018. The drop in the area of offices under construction goes hand in hand with the drop in the number of office projects under construction from 37 projects in 2015 to 28 projects in 2018.

Year	Number of Office Projects Under Construction in Beirut	Office Area (SQM)
2015	37	195,694
2016	34	194,863
2017	32	191,528
2018	28	164,754

Source: RAMCO, February 2018

The supply and demand dynamics of the office real estate segment appear to have mimicked that of the housing segment. In both segments, demand has dropped and therefore left a large stock of unsold apartments but also of offices. According to RAMCO's official press release, supply has been exceeding demand since the number of unsold offices has increased over the past few years.

However, the housing and office segments appear to share a somewhat resilience in terms of prices. The scarcity of land in Lebanon will continue to offer support to prices be it in the office segment or the housing segment, despite some discounts being offered. While real estate developers offering residential units have been selling at discounts of 10% to 20%, RAMCO noted that for the office segment "official listed asking prices have not dropped but negotiation margins keep widening".

According to RAMCO, more than half of the office projects under construction in Municipal Beirut are located in Ashrafieh. In Ashrafieh, where 58% of the projects under construction in Beirut are located, 16 construction sites are currently under way compared to 20 projects in 2017.

The stagnation in the office market can be felt in other parts of Beirut as well. According to RAMCO, no new project has been launched in Beirut's Central District since 2014 with the area of offices in that region standing at 31,449 SQM, the same as 2017. Meanwhile, in Western Beirut, the total office area of 37,432 SQM has registered a drop of 14% compared to 2017.

New regions are popping up on the map in western Beirut as attractive office locations. According to RAMCO, the regular business hubs such as Hamra, Clemenceau or Verdun are currently not home to any projects. Meanwhile, RAMCO highlights the regions of Jnah, Mar Elias and Bachoura as burgeoning business hubs where several office projects are underway.

### Food and Beverage (F&B) Clusters: The New “It” Concept in Lebanon

While the broad picture has been quite gloomy for the housing and office segments, it has been brighter for the developers of F&B clusters across Lebanon. Today Lebanon counts 8 established F&B clusters which together hold over 70 restaurants and pubs.

- Printania Villa – Broumana
- Printania Garden – Broumana
- The Backyard Hazmieh
- The Village Dbayeh
- The Gardens Naccache
- Blueberry Square
- Restos St. Nicolas Ashrafieh
- Zaytuna Bay

First and foremost, the success of F&B clusters is not surprising given the lifestyle of the Lebanese. In fact, F&B outings are deeply embedded in the lifestyle of the Lebanese and are one of their preferred leisure activities. It is for that reason that new F&B concepts are almost always guaranteed a good initial outcome of visitors who are looking to try the latest F&B experience.

Moreover, the F&B clusters, like any successful business idea, were introduced to fulfill a certain market need. At first sight, one must say that Lebanon does not lack F&B concepts, be it conveniently nestled in malls in order to be paired with a shopping experience or stretched along busy streets. However, the parking convenience that is present at malls is lacking on streets such as Mar Mikhael and Badaro. Moreover, while malls offer shopping, dining and parking, they don't offer nighttime drinks and music.

F&B clusters came into the market to create an interesting combination of several leisure activities in one space. The concept of clusters is not so foreign in Lebanon since busy streets like Mar Mikhael and Badaro are, somewhat, already clustered along one street. However, the big plus that was offered by the new F&B clusters is mainly the availability of parking combined with a dine and drink experience all in one spot.

Each cluster in Lebanon has its own competitive advantage. The F&B clusters are well-thought and strategically located. For example, the Backyard Hazmieh is a cluster carefully tailored to the needs and tastes of the Hazmieh area. The Hazmieh area is highly residential and under-served in terms of friends and family-friendly restaurants.

The success of F&B clusters could however affect standalone F&B outlets. Unless the F&B outlet in question has a very strong identity and a distinguished service offered to a loyal clientele, it could become harder to survive outside of the herd. In fact, the F&B clusters did not just bank on convenience but also on creating an identity that would convey a certain lifestyle for their visitors. This focus on creating a lifestyle concept has been a generalized trend in Lebanon as the only way so many F&B outlets would succeed is if they each have their own flavor.

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