

Among quality real estate recently delivered by SOLIDERE, Saifi Village, completely marketed, is a great success story. Near the Serail hill, the half-occupied embassy compound has serious prospects for full occupation by year end. Significant progress was achieved in the multi-use complex offering office and residential facilities, together with a health club. However the largest SOLIDERE real estate project, the Souks of Beirut, is still in the making. Going through the final stages of related building permit and tendering processes, the Company is about to embark in phase one of the Souks of Beirut development.

The success met by SOLIDERE reflects an accurate assessment of the pent-up demand for quality residential, institutional and commercial space, and offers evidence of the Company's painstaking ability to meet the requirements and standards specific to each niche market.

Following the official approval of the Souks of Beirut master plan in decree 4246/2000, and after the resolution in decree 5714/2001 of a number of issues relating to the BCD Master Plan, the project could finally be launched.



Saifi Village

At the southeastern periphery of Beirut city center, a traditional neighborhood with a preserved urban fabric has re-emerged.

Saifi Village, offering 34,000 sq m of floor space, is a success story. Designed according to Lebanese tradition, sixteen low-rise new buildings form four clusters extending over 7,400 sq m of land along six streets.

They blend in style and color with an equal number of existing buildings, restored to their original glory. Mediterranean red pitched roofs, arcaded windows, simple decorative ornaments and harmonious pastel colors form the architectural language.

The residential ambience is enhanced by a quiet environment and a carefully designed and landscaped public realm. Brick paving and fountains, seasonal shrubs and flowers, wooden benches and children's playgrounds provide the tree-lined narrow streets, public squares and gardens with an appealing and communal character.

The 136 apartments and duplexes ally to these qualities modern comfort and security, elegant interiors and high-quality finishes. Ranging from one to four bedrooms, they benefit from underground parking facilities and are

serviced by convenience stores on street level. The whole space has accordingly been leased or sold to people seeking quality living.

This highly positive response has given SOLIDERE the impetus to further invest in residential developments, both expanding the Village and applying the same principles to other neighborhoods.

This page and opposite: views of Saifi Village.



REAL ESTATE DEVELOPMENT



Property Agreement with the State

Within a property agreement with the State signed in 1997, SOLIDERE had undertaken the development of 70,000 sq m of floor space, pre-leased as administrative buildings for seven years with an option to buy at an agreed price. The Company engaged in substantial works, adapting building designs to the end-users' needs.

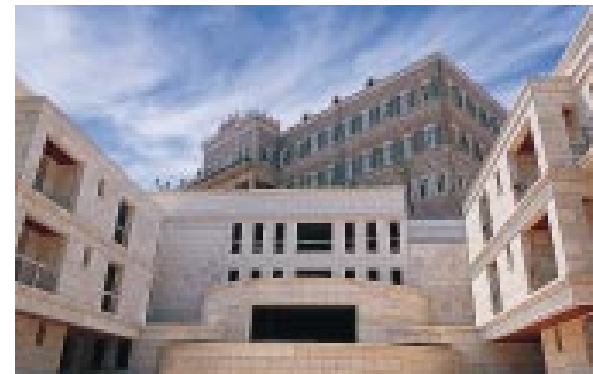
Notified in 1999 of the Council of Ministers' decision to cancel the agreement, SOLIDERE filed an action to reverse this unilateral decision. Its claim for damages included contractors' claims and US\$25 million paid to the State in exchange for various lots as part of a property swap falling within the agreement. The litigation and its arbitration are still pending.

The Company stopped implementation of the buildings dedicated to the Ministries of Finance and Internal Affairs, completing in the latter case the skeleton for the

substructure in order to stabilize the surrounds. Developments near the Serail hill, initially destined for agencies affiliated to the Prime Minister's office, were pursued on the basis of new land use, design and identified end-users' specifications.

Above: embassy compound.

Below: Block 66 residential complex with health club.



Embassy Compound

The 9,300-sq m office development on Block 58-27 in Rue de l'Armée, west of the Serail, was redesigned into an embassy compound.

Its construction was completed, together with infrastructure and landscaping around the compound. Initially delivered as empty shells, the various parts of the development are provided with internal partitions in accordance with the occupants' requests.

After the Japanese Embassy, the British Embassy moved into its quarters early in 2002.

Even more stringent security arrangements were imposed following the September 11, 2001 events, causing some delays in completion dates.

With related design and internal layout almost complete, works have started in the remaining space for which two other embassies signed letters of intent, with their move expected during the current year.

Below: Block 70 office building.



Blocks 66-70 Multi-Use Complex

Blocks 66 and 70 are located in Rue de France, on the lower part of the Serail hill.

With construction completed in the 2,900-sq m office building on Block 70, serious indications of interest were received from two potential clients. A final decision is expected by end May 2002, with three to four months needed to execute the internal partitioning to fit the tenants' requirements.

Block 66, redesigned by Fouad Menem Consultants as a 3,206-sq m, eight-flat, residential complex, was executed by Bureau d'Etudes et Travaux Hydrauliques et Electriques - Elie Selwan, with Michel Harmouch appointed as the internal decorator. Some apartments were completed in March 2002. A 1,950 sq m floor area was reserved following a marketing campaign.

The facilities are complemented by a 3,400-sq m health club designed by FM Consultants with Dada and Associates as the assigned internal decorator. The club, to be operated by Nautilus (US), is scheduled to open in September 2002.

REAL ESTATE DEVELOPMENT

The Souks of Beirut

Replacing the traditional markets, the Souks of Beirut are a modern shopping district destined to bring to critical mass retail supply in the city center. 100,000 sq m of floor space include such facilities as: the Souks core or Souks proper, including around 200 shops; a gold and jeweler's market; an international department store; a multi-use store and a supermarket; an entertainment complex, restaurants and cafés, an art gallery and an archeological museum; plus an underground 2500-space car park.

Design contributors include prestigious names: for the Souks proper, Rafael Moneo (Spain) and Samir Khairallah & Partners; for the gold souk and jewelers' offices, Kevin Dash (UK) and Rafik El Khoury & Partners; for the entertainment complex, Valode & Pistre (France) and Annabel Karim Kassab; for the department store and multi-use store, Nabil Tabbarah; for space planning and landscaping, Olivier Vidal (France); and for car park design and management systems consultancy, Dimitri Alatzas Asociados (Spain). Innovative in meeting contemporary shopping and entertainment needs, the

project design draws on the site's heritage. It retains the ancient street grid and Ottoman access 'gates' and introduces five landscaped open squares. It incorporates the Persian-Phoenician site, recovered sections of Beirut's medieval wall, the Mamluk Zawiya Ibn Iraq shrine and Ottoman Majidiya mosque. The department store is inspired by the architecture of the Ottoman caravanserai previously on its site, with a landscaped square featuring a fountain to face the store and the restored mosque.

SOLIDERE finalized the project detailed design and constructed the underground car park. The development of the superstructure was delayed as the Company went through various stages of the regulatory permission process. Council of Ministers' decree 4246/2000 finally sanctioned the project master plan, approving its impact on Sector E of the BCD Master Plan; while decree 5714/2001 updated and amended the BCD Master Plan. This paved the way for the construction permit process.

The Board of Directors resolved that SOLIDERE should first develop the south part of the Souks of Beirut on its own, without recourse to investors. This should allow it to keep control of commercial areas and their management, and secure good revenues. The development of the north part is to be implemented in a second phase. However, the second phase may start before completion of the first. The tendering of the first phase was organized in two packages, with one package, including the Souks proper and the supermarket,

launched on March 7, 2002. The invited contractors are due to submit their bids by end June 2002. The tendering of the second package, relating to the gold souk and jewelers' offices, will follow the finalization of drawings, after changes in design to accommodate the requirements of pre-sold units' users. The building permit application took into account these design changes.

The implementation of the facilities will allow the closing of the gold souks pre-sales, as well as the finalizing of leasing and management agreements with anchor tenants and international operators. Provided the financing is in place, the facilities should be completed within 18 to 24 months, with delivery time projected at end 2004. Financial offers were received for the project, both separately and as part of general funding sources identified by SOLIDERE. The Souks of Beirut funding is made easier by the existence of inherent revenue elements, such as US\$40 million in receivables against promissory notes from the gold Souks, and expected rentals from the Souk core retail units. Financing need not be more than medium-term (5 years). Substantial rental revenues expected from 2005 will boost the Company's rental income.

Other Buildings

Having obtained the building permit for its plot on Block 93, the Company started structure skeleton works up to the foundation (fourth basement) level. These are part of the up-to-ground-level construction implemented in agreement with the developers of remaining plots in the Block. Turnkey agreements are also envisaged with developers of

Blocks 114, 115 and 108. The project may be delayed by difficulties facing co-developers, including building permit issues, some related to parcel subdivision and regrouping.

Delivered in 1997, UN House is the headquarters of the United Nations Social and Economic Commission for West Asia (ESCWA). It also hosts a number of other UN regional and specialized agencies, as well as the World Bank permanent office in Beirut. Delivered in 1999, a building designed and built by SOLIDERE as part of a swap agreement with the Defense Ministry, is used as a hotel. The Beirut Trade Center project was put on hold in 1999 for a number of considerations, including the withdrawal of anchor tenants.

Prospects for the Future

SOLIDERE's real estate strategy is to focus on real estate developments that elicit end-users' interest either as a place of residence or as headquarters for their activities.

Following the success of Saifi Village, the Company is envisaging other residential development schemes along similar lines.

