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PROPERTY MARKET PERSPECTIVES AT THE IMAGE OF POLITICO-ECONOMIC OUTLOOK, FOLLOWING PRICE UPTICK OVER EARLY MONTHS OF 2025

Realty purchase improves in 2025 albeit weighed down by challenging fundamentals

Demand for real estate has recorded a noticeable improvement so far in 2025, returning to levels seen in 2022, albeit weighed down by challenging fundamentals. The surge comes amid the reopening of land registries in Baabda, Metn, Nabattiyeh and the South. Additionally, loan offerings from the Banque de L'Habitat (BDH) relatively improved households' ability to purchase realty. Looking at the number of sales operations in the first half (H1) of 2025, 33,297 operations were recorded, up from 16,390 operations in the same period of 2024. This level of demand is the highest recorded since 2022. In parallel, looking at H1-2019, the number of sales operations recorded during the period is 34.1% lower than the one noted during H1-2025 showing a return to pre-crisis levels of activity within the sector. On the other hand, the average value of property purchases in H1-2025 stands at US\$ 85,735, noting a 31.0% decrease from levels recorded in H1-2019 and a 40.6% decrease from levels recorded in 2022. This shows a shift in demand towards cheaper real estate within the sector amid tough financing issues.

Supply-side movements in the realty market started picking up pace again as evidenced by this year's surge in construction permits and cement deliveries

During 2025, supply-side movements in the realty market started picking up pace again following the end of the war. This comes amid an improving politico-economic situation and ameliorated security conditions. Construction permits in the first half (H1) of 2025 increased by 16.1% against figures from the same period of the year prior. Construction permits for H1-2025 increased to 2,826,763 m2, up from 2,434,966 m2 in H1-2024. Additionally, cement deliveries jumped by a yearly 48.6% in the first four months (4M) of 2025 against the same period of the year prior. Cement deliveries reached circa 851.4 thousand tons in 4M-2025, up from 573.1 thousand tons in the same period of the year prior, reflecting a significant improvement in activity from the previous year's figures. However, the lack of loan availability stands as a major hinderance towards any significant boost in projects. Additionally, the continuous increase in urbanization rate due to limited job opportunities in rural areas has made rural realty projects less attractive to investors all the while leaving the urban market oversaturated and expensive.

Property prices up by circa 10% amid political breakthroughs early this year

The promising political breakthroughs at the beginning of the year 2025, starting with the Presidential elections, to PM designation and to the formation of a cabinet of qualified experts, have helped lifting overall investor sentiment, and provided some boost to Lebanon's real estate market prices. This was actually translated into an uptick in property prices over early months of the year, before entering into a freeze since March due to lingering domestic uncertainties. A circa 10% rise in property prices was recorded over the first three months of 2025 followed by price stability since then. On the overall, prices of small and medium-sized apartments are currently 20-30% less than levels seen before October 2019, while the sale price of high-end apartments is now nearing its pre-crisis level.

Real estate market perspectives at the image of politico-economic outlook

In a near-term perspective, the real estate sector is at the image of politico-economic conditions. Its outlook depends on the different scenarios anticipated at the political and economic levels, with corollary implications for real estate prices and market conditions. Within this context, we have actually envisaged three scenarios for the next 12 months, namely the positive scenario, the middle scenario and the negative scenario, with probabilities of realization of 55%, 30% and 15% respectively. In the event of a positive politico-economic scenario (State supremacy over arms, financial gap law ratified and IMF deal), real estate demand would be considerably up, raising with it property prices by no less than 20%, while the restoration of housing loans would provide a considerable catalyst to the market. The middle scenario suggests a relative stabilization of market conditions and real estate prices at current levels. Finally, in case the adverse scenario materializes (security drift), real estate demand would contract, sale offers would accentuate, putting downward pressure on real estate prices and market conditions at large.

CONTACTS

Research

Dr. Marwan Barakat
(961-1) 977409
marwan.barakat@bankaudi.com.lb

Salma Saad Baba
(961-1) 977346
salma.baba@bankaudi.com.lb

Michèle Khoury Sakha
(961-1) 977102
michele.sakha@bankaudi.com.lb

Stephanie Bou Sleiman
(961-1) 952397
stephanie.bousleiman@bankaudi.com.lb

Elias G. Missi
(961-1) 959747
elias.missi@bankaudi.com.lb

Rozan Wehbe
(961-1) 952313
Rozan.wehbe@bankaudi.com.lb

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MARKET DEMAND

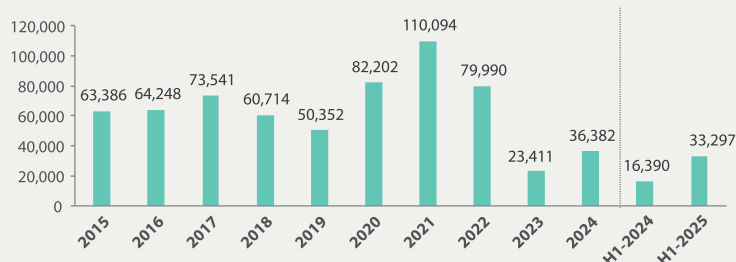
Realty purchase improves in 2025 albeit weighed down by challenging fundamentals

Demand for real estate has recorded a noticeable improvement so far in 2025, returning to levels seen in 2022. This comes amid the reopening of land registries in Baabda, Metn, Nabattiyeh and the South. Additionally, loan offerings from the Banque de L'Habitat (BDH) significantly improved households' ability to purchase realty.

In general, the realty sector remains a mirror to the overall economy and is heavily reliant on the security situation within the country. Following the end of the conflict in Q4-2024, internal security has remained shaky amid continued strikes and fears of internal strife. This has led investors to remain somewhat weary about investing in the country awaiting further assurance. On the other hand, the general economy has returned to a positive growth momentum with real GDP expected to increase by circa 5% during the year while the exchange rate retains its stability. However, the prices of realty in Lebanon have continued their considerable inflationary trend. In turn, this has impacted the appetite of buyers both locally and internationally. That being said, improvements are still being noted mostly on the back of some local loan availability and the initiative of certain investors that are willing to absorb the risk associated with realty purchase in Lebanon.

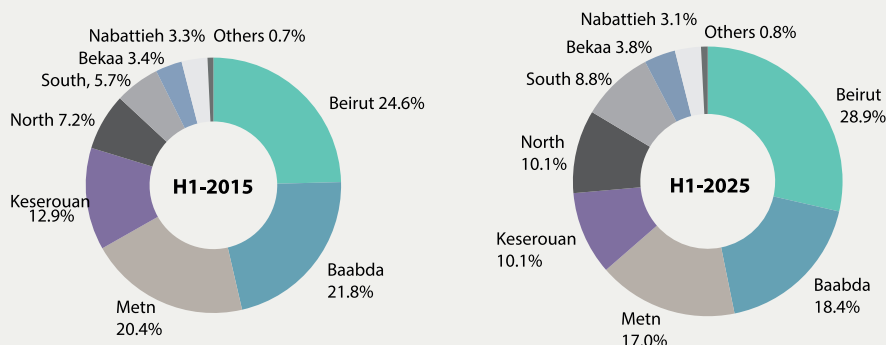
In details, looking at the number of sales operations in the first half (H1) of 2025, 33,297 operations were recorded, up from 16,390 operations in the same period of 2024. This level of demand is the highest recorded since 2022. In parallel, looking at H1-2019, the number of sales operations recorded during the period is 34.1% lower than the one noted during H1-2025 showing a return to pre-crisis levels of activity within the

NUMBER OF SALES OPERATIONS



Sources: General Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

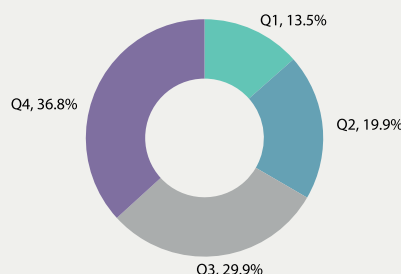
PROPERTY SALES TRANSACTIONS VALUE BY REGION



Sources: General Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

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SEASONALITY ANALYSIS: AVERAGE PROPERTY SALES BY QUARTER (2014-2024)



Sources: General Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

sector. On the other hand, the average value of property purchases in H1-2025 stands at US\$ 85,735, noting a 31.0% decrease from levels recorded in H1-2019 and a 40.6% decrease from levels recorded in 2022. This shows a shift in demand towards cheaper real estate within the sector amid tough financing issues. That being said, loans granted by BDH have propped up this demand and the increase of the ceiling for loans to US\$ 100,000 in June is expected to have a positive impact on the sector looking forward.

At the level of current fundamentals within Lebanon's real estate sector, household spending continues to notice a rationalization. This trend is expected to continue in 2025 and in the medium-term amid a general improvement in the local economy. In parallel, essential spending is expected to retain its majority stake in consumption behavior within Lebanon in the foreseeable future. This creates an improving environment for realty purchase within the local populace. However, current age demographic shifts show an increasing population in Lebanon with unfavorable consumption behaviors towards real estate. This comes amid an increasing youth base, which prefers low quality offerings or rentals and an increase in the pensionable population, which already owns houses and instead focuses on expansions or maintenance.

Additionally, the rate of urbanization within the country continues to increase significantly with the vast majority of the population living in urban areas. As such, real estate markets within cities are increasingly oversaturated, leading to a continuous increase in prices. This in turn makes it even harder for locals to purchase offerings and makes investment less attractive for foreigners. This comes as local urban offerings cost almost the same as other major cities in the region. For example, office rental offerings in Beirut and Baabda are comparable in price to cities such as Ankara, Alexandria, Giza and Istanbul. However, these cities are considered less risky with a much higher yield potential. As such, demand has been shifting towards the outskirts of these governorates such as Keserouan or Metn. The current state of demand fundamentals in Lebanon has potentially negatively impacted general demand during the year, resulting in a relatively muted growth so far.

In parallel, the international community is still awaiting the Lebanese government's deal with the IMF as a sort of safety guarantee for investment. This can be seen through a lack of significant external inflows for reconstruction so far. The current instability within the country makes Lebanon seem high risk-low reward and therefore foreign appetite is set to remain muted until the local situation improves.

NUMBER OF PROPERTY SALES TO FOREIGNERS



Sources: General Directorate of Land Registry and Cadastre, Bank Audi's Group Research Department

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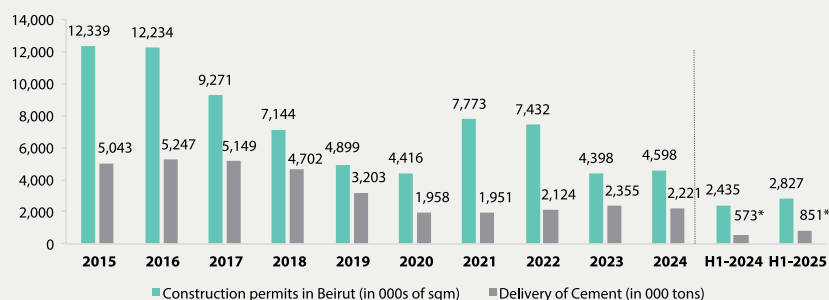
Looking forward, the population size in Lebanon could continue declining on the medium-term. This decrease could be exacerbated by Syrian remigration efforts, potentially glutting the supply-side by 1.5 million individuals if all refugees return to their country. Additionally, the demographic shifts in Lebanon continue to favor low-quality realty purchase and urbanization looking forward. These factors are expected to weigh down prospects for realty demand in the next 5 few years.

However, at the level of upside risks, Lebanon's current socio-political momentum, if sustained, could lead to major improvements in foreign investors' sentiment as well as increases in foreign inflows for reconstruction. Additionally, improvements in the overall economy, the increased availability of loan offerings and the governmental economic reform momentum are all set to improve realty demand looking forward.

As such, it is recommended that proactive steps be taken by both public and private stakeholders for a sectoral support plan in anticipation of the remigration issue. Additionally, the current political pathway must continue improving Lebanon's ties with the international community in order to regain the influx of investment previously noted in the country. Concurrently, lawmakers must enact a national plan to uphold national security and implement crucial reforms with guarantees in order to increase investment appetite towards the country. In parallel, governmental incentives for the diversification of realty offerings away from urban centers would benefit the wider sector's health and sustainability as well as potentially renew local demand momentum towards higher quality real estate. These incentives could come in the form of nationality schemes tied to investment, tax incentives for projects in certain areas, improved infrastructure and road interconnections within the country for example.

MARKET SUPPLY

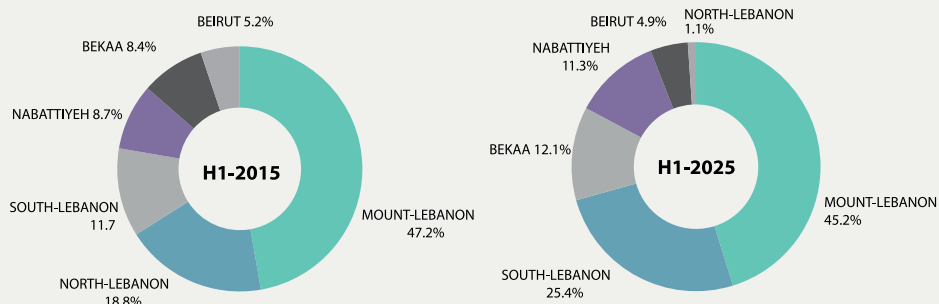
CONSTRUCTION PERMITS & CEMENT DELIVERIES



*Figures for the first four months

Sources: Order of Engineers of Beirut, BDL, Bank Audi's Group Research Department

BREAKDOWN OF CONSTRUCTION PERMITS BY AREA



Sources: Order of Engineers of Beirut, Bank Audi's Group Research Department

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Supply-side movements in the realty market started picking up pace again as evidenced by this year's surge in construction permits and cement deliveries

During 2025, supply-side movements in the realty market started picking up pace again following the end of the war with Israel. This comes amid an improving socio-political situation and ameliorated security conditions. Real estate supply remains a mirror to the general economy and as such an improvement in the index is expected amid forecasted economic growth, easing inflation and exchange rate stability.

Additionally, the end of the conflict also brought on the possibility for individuals to rebuild their properties even though international and public efforts for reconstruction remain lackluster. According to the World Bank, around 10% of Lebanon's housing unit stock has been affected at varying degrees during the war. This has effectively created a backlog of construction and repair work, albeit remaining somewhat muted so far amid low investor appetite.

Currently, the security situation in the country remains unstable with investors staying weary, preferring a wait-and-see approach to the market. That being said, current supply metrics have noted a positive performance so far in 2025. This shows a potential push from households rebuilding their properties as well as some new projects from investors willing to absorb the risk of investment in Lebanon.

In details, construction permits in the first half (H1) of 2025 increased by 16.1% against figures from the same period of the year prior. Construction permits for H1-2025 increased to 2,826,763 m², up from 2,434,966 m² in H1-2024. This increase in construction permits was due to increases in construction permits in all regions ranging from 4.3% to 48.4% during the period. The increase was partially offset by a decrease of 28.4% in construction permits in the Bekaa, as per figures from the Order of Engineers and Architects of Beirut (OEAB).

Additionally, cement deliveries jumped by a yearly 48.6% in the first four months (4M) of 2025 against the same period of the year prior. Cement deliveries reached circa 851.4 thousand tons in 4M-2025, up from 573.1 thousand tons in the same period of the year prior, reflecting a significant improvement in activity from the previous year's figures, as released by the Central Bank of Lebanon.

In parallel, sectoral fundamentals for supply have started improving since the end of the war. At the socio-political level, the new administration has improved the country's relation to members of the region as well as international partners offering some guarantees for security and development. Additionally, the somewhat faster momentum for reform has positively impacted investors' sentiment towards Lebanon. The security situation, while still shaky, has improved from 2023 and 2024 with the end of the war and political efforts to uphold stability. Concurrently, Lebanon still owns a vast area available for construction outside of its urban areas, leaving plenty of opportunities for future projects.

However, the lack of loan availability stands as a major hinderance towards any significant boost in projects. Additionally, the continuous increase in urbanization rate due to limited job opportunities in rural areas has made rural realty projects less attractive to investors all the while leaving the urban market oversaturated and expensive. The demand for realty in Lebanon also remains lackluster with a threat of a supply-side glut in the case of Syrian remigration. These issues are set to keep weighing on the prospects of realty supply looking forward.

As such, it is crucial for the government to uphold the current peace and maintain security stability in Lebanon. Concurrently, the government must continue with the reform momentum to achieve a deal with the IMF. These factors are set to ease investors' worries and invite investment opportunities into the Lebanese market. Additionally, offering incentives for the expansion of realty projects towards rural areas would benefit the wider sustainability of the sector and improve supply prospects. One such incentive could be improving roads and infrastructure making this diversification more desirable looking forward.

All in all, while supply in the realty market as well as sectoral supply fundamentals are improving, the outlook remains threatened by various factors. These threats need to be addressed proactively by stakeholders in order to ensure the sustainability of supply in the market. Additionally, any prospects for the real estate sector rests on the government's ability to improve international relations, uphold security stability and attract investors. Investment in Lebanon's real estate has somewhat lost its selling point as it is not as profitable as other regional offerings nor as cheap as it used to be throughout most of the crisis. In turn, a

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new approach to supply offerings would be beneficial with a focus on diversification, improved quality and more affordability. One such potential route for example would be mirroring the Cyprus approach to realty offerings as an international spot for tourism and retirement. This would leverage Lebanon's advantageous geographical placement, attractive scenery and weather. Such a move could be beneficial for the Lebanese realty market as it would attract investment in Lebanon's calmer, more scenic rural areas. Another example would be governmental incentives for job creation in rural areas. This move would naturally improve real estate diversification within the country and reduce the saturation of urban markets.

MARKET PRICES

Property prices receive some boost from political breakthroughs early this year

The promising political breakthroughs at the beginning of the year 2025, starting with the Presidential elections, to PM designation and to the formation of a cabinet of qualified experts, have helped lifting overall investor sentiment, and provided some boost to Lebanon's real estate market. This was translated into an uptick in property prices over the first quarter of the year, before entering into a freeze since March due to lingering domestic uncertainties.

In fact, following the ceasefire deal late-November 2024 and the string of positive political developments early-2025, Lebanon's real estate market saw a rush of inquiries from the diaspora. Expatriates showed a decent demand in a market underpinned by a slow evolution of supply, with a limited number of new construction projects across the country. This resulted into a 10% rise in property prices over the first three months of 2025. The price growth was mainly supported by some favorable political dynamics, and technical market factors amid discrepancy between property demand and property supply at large.

However, the realty market had ground to a halt thereafter, as investors adopted a cautious stance since end-March 2025, awaiting signs of improvements in domestic and regional conditions. Expatriates have consistently inquired about property prices during the summer, yet they preferred to maintain a "hold off buying" attitude, while keeping an eye on domestic uncertainties and awaiting the implementation phase of the Lebanese cabinet's historic decision on State monopoly over arms early-August 2025.

On the overall, prices of small and medium-sized apartments are currently 20-30% less than levels seen before October 2019, while the sale price of high-end apartments is now nearing its pre-crisis level.

A closer look at property prices shows that the residential average price in the city center ranged between US\$ 5,000 and US\$ 6,000 per m2 in 2025 as the market continued to attract some ultra-rich despite the 2024 war and security uncertainties following the ceasefire. Office prices in Bab Idriss were quoted at US\$ 5,500 per m2.

The average property price at the tourist district of Mar Mikhael currently ranges between US\$ 3,400 per m2 and US\$ 4,300 per m2. Apartments of 100 to 150 m2 located in quality buildings can range from US\$ 550,000 to US\$ 600,000. Office prices at Mar Mikhael are at circa US\$ 1,950 per m2.

In Ras Beirut, the average property price currently hovers around 3,500 per m2. Near Bristol, the selling price of an apartment located in a building delivered in 2015 is quoted at circa US\$ 2,400 per m2. Prices of high-end apartments located along Rue Omar Daouk and around the ESA campus can soar beyond US\$ 4,500 per m2. As to office prices in Hamra, they are currently quoted at US\$ 3,230 per m2, in Clemenceau at US\$ 3,755 per m2, in Ain Mraiech at US\$ 3,800 per m2, and in Spears at US\$ 2,500 per m2.

In the coming period, a sustained price recovery in Lebanon's real estate market hinges on resolved political issues including putting an end to the presence of all armed forces across the Lebanese territories, securing international financing to support post-war reconstruction, bank restructuring and resumed lending activity as the only active source of lending now is the Housing Bank (Banque de l'Habitat) for low- and middle-income households, restored investor confidence in Lebanon's outlook and a decent evolution of supply since construction projects are still currently lagging far behind pre-crisis levels.

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MARKET OUTLOOK

Real estate market perspectives at the image of politico-economic outlook

In a near-term perspective, the real estate sector is at the image of politico-economic conditions at large. Its outlook depends on the different scenarios anticipated at the political and economic levels, with corollary implications for real estate prices and market conditions.

Within this context, we have actually envisaged three scenarios for the next 12 months, namely the positive scenario, the middle scenario and the negative scenario, with probabilities of realization of 55%, 30% and 15% respectively. Having said that, such an outlook comes with possible upside and downside risks that might represent a net deviation of from the preset scenarios.

The positive scenario assumes the ceasefire persists throughout the next 12 months, with the launch of a widespread reconstruction effort post weapon supremacy, the ratification of the financial sector gap resolution law and the enactment of a full fledge agreement with the IMF. In case the conditions of such a scenario materialize, real GDP growth would jump to above 8%, BDL reserves would be significantly reinforced and the balance of payments would report a real surplus of no less than US\$ 6 billion. In the event of such a positive politico-economic scenario, real estate demand would be considerably up, raising with it property prices by no less than 20%, while the restoration of housing loans would provide a considerable catalyst to the market.

The medium scenario also assumes the ceasefire persists throughout the next year, yet with no end to the political deadlock and no launch of significant reforms. Under this scenario, real GDP growth would be close to 3%, BDL reserves would somewhat stabilize and the balance of payments would be in quasi-balance. As far as the real estate market is concerned, such a middle scenario suggests a relative stabilization of market conditions and real estate prices at current levels.

The negative scenario assumes the war re-emerges looking forward amid an all-out war scenario, with no end to the political deadlock and no launch of reforms. Under this scenario, real GDP growth would be significantly negative, inflation would surge, BDL reserves would be cut into half and the balance of payments would record a large deficit of no less than US\$ 2 billion. In case the adverse scenario materializes, real estate demand would contract, sale offers would accentuate, putting downward pressure on real estate prices and market conditions at large.

Having said that, there is undeniably value in the property sector under all possible scenarios in the medium to long term. Such a longer term outlook would be obviously reinforced further in the event of a regional settlement scenario or a domestic political normalization scenario. Despite their appreciation this year, real estate prices are still relatively below pre-crisis levels, suggesting a pent-up opportunity and substantial capital gains shall politico-economic conditions become fully supportive following this year's breakthrough. The slow evolution of supply over the past six crisis years, with somewhat limited construction projects across the country over the period, suggests a potential noticeable price surge once confidence gets back on track, with the potential price growth to be driven by technical market factors amid potential discrepancy between property demand and property supply.