

Transcript of the interview with
Nabil G. Sawabini
MENA Capital
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Mr. Sawabini it is a pleasure to be here with you today to talk about MENA Capital and about what you have been doing as CEO. You have an exciting company and you are a big player in both Lebanese domestic real estate and increasingly abroad. Give us a quick rundown of MENA Capital's work in the real estate sector and private equity management both in Lebanon and in the broader region.

MENA Capital started about 8 or 9 years ago. Its speciality is investment management and real estate development. Our focus has been in Lebanon on the real estate development side, specifically for developing high rise, upscale residential towers. We have expanded that recently into Iraq and we are beginning to expand into other sectors apart from residential. We are expanding principally into the commercial sector with an eye towards recreational and resort type developments.

Among other projects that MENA Capital is building, Sky Gate is the most luxurious and highest tower in Beirut. Talk about that a little bit and also about other projects that you have done or might be embarking on like Bella Casa.

Sky Gate will be the highest building in Beirut. It has been structurally completed and it will be delivered in the latter part of this year. It is going to be the most luxurious building in Lebanon if not in the Middle East. In the last 18 months we have delivered three projects: Ibrahim Sursock Residences, Hochar Tower and Qoreitem Gardens. We have two other developments which we are contemplating, namely, Bella Casa and St Nicolas. Those projects are still in the planning stages.

Outside of Lebanon, we are looking to develop whole communities in Bagdad and Basra.

That must be an exciting and challenging environment to work in. You have a great saying from a great song that goes "if you can make it here, you can make it anywhere" regarding the political and security rollercoaster of Lebanon and of the Middle East. Would you say that between your years at JP Morgan and then your years here you have pretty much seen it all in terms of business cycles?

I hope so! I mean I have seen a lot between living in London, New York and here. The last two and a half years in particular have been quite challenging in this market. We are hoping that 2014 will begin to look up. The political rollercoaster has had a great impact on the economy and obviously on investment in Lebanon. However, we hope that this is about to change and in a broader sense than just in Lebanon.

The domestic real estate market has undergone a lot of changes in the last several years, how has MENA met the challenges in building, sizing and pricing its properties?

We have been quite fortunate in our developments because we have always emphasized location, which is always the most important criteria in investing in real estate. Also, we have created an image of quality that people are attracted to. The fact that we have tried to focus our developments on what the needs appear to be in the market has helped us a lot. Thus, we don't have any development that is less than 60 or 70% sold, and in some cases it is higher than that. However, it is the complete sale of/ exit form development/ investment that is most important, which the recent years' rollercoaster has delayed.

As to the size of residences, the demand has trended towards smaller size apartments, which we are adopting in the newer projects.

Last year was a tough one on sales, your record is obviously beating the average throughout the sector. What expectations do you have for both the sector and for MENA Capital in 2014 both in terms of construction and more importantly in sales?

As I mentioned earlier, I think we have had a dry spell over the last two and a half years, but that is about to change with a new government and a regional direction towards peace. I believe that sales will pick up, but prices will remain stable until such time when there is more equilibrium in the demand vs. supply in the market.

Describe the range of demographics that you sell to. My impression is that it ranges from the young executive to the more "well-heeled" buyer, is this correct?

That is true, although we are trying to broaden our demographics going forward. Now, we are considering moving more towards the executives and businesses, especially when we start getting involved in the commercial and office sectors.

How would you describe MENA's investment philosophy given your experience at JP Morgan? When do you decide to take a risk and when do you decide to opt for a safe harbour when investing other people's money?

We tend to be conservative, but forward thinking. Always eyeing new areas/ market and sectors of most promise. Our investments are always targeted at sectors of the markets that are most attractive to the buyers. Also, we tend to use leverage conservatively. We have never had more than 30% leverage on any of our projects, except for short periods of time. That has helped us ride the rollercoaster wave that we have had in recent years.

Would you be able to describe for us what the opportunities are for new investment in MENA Capital of say international, Gulf, or European investment?

The investment vehicles that we establish are normally targeted at specific projects. Our focus continues to be on Lebanon, which we think is going to come around nicely in the foreseeable future. We also think that Iraq is going to be a very interesting market to pursue in the coming years.

Iraq is very interesting, but not many have ventured there yet apart from oil and gas companies. What you are doing seems very progressive because you are not only building residences, but rather actual communities. Can you tell us a bit about that?

Our focus in Iraq has mainly been at Bagdad and are now considering Basra. As you said, we will be focusing on the creation of communities that are targeted at locals and foreigners alike.

This is something that is in the planning stages right now?

Most of the properties have been secured, and yes we are now in the planning stages.

Would you have advice to other younger CEOs who might be considering doing business in that space?

I think that anyone who does business in this part of the world needs to be tried and tested, as the environment is challenging. However, opportunities for those who are prudent operators with staying power and the willingness to persevere, are abundant. In certain countries like Iraq, you have to be very well attuned to what is going on in the market and the environment you are operating in.

Can you tell us a little bit about your projects in Iraq or not yet?

We are still in the mass planning stage, so we will be in a position to tell you more in a few months.

Sky Gate seems to be the jewel in the crown of MENA Capital in some ways. Talk to us about the quality and the amenities that are being offered for a purchaser in the tower.

Sky Gate's design and architecture as well as quality of materials and finishing, is certainly one of the best if not *the* best in the region. The assigned Architect is well known internationally: Nabil Gholam. For the lobbies and the ground floor, he has been supplemented by a very famous New York based architect, Peter Marino. SKY GATE's design was awarded a highly commended prize by MIPIM in 2009.

In addition, the location is superb, because it is the highest point in Beirut. The exposure that you get in the higher floors is really 360°. Furthermore, the amenities are some of the best you can find, whether it is the spa, the indoor and outdoor swimming pools, the beautifully planned gardens surrounding the building, the running track at the periphery of the property, the size of the parking lots which is larger than normal...along with other features.

Can you tell us a bit about the green technology you have there?

SKY GATE has many eco-friendly features throughout the project. In fact, all apartments are entirely surrounded with planted flower-beds, up to the 42nd floor. In addition, over 3,000 m² of landscaping will be at the ground floor level.

Furthermore, the top of the roof is covered by an advanced solar system, where our Consultants have adopted low emissivity double glazing with naturally ventilated staircases, water drip system for irrigation. State of the art Building Management System (BMS) combined with gas friendly boilers' emissions as well as energy saving electrical equipment, which have unquestionably led to notable energy/fuel savings.

It is also worth noting that all mechanical equipment and their installations were designed to limit noise pollution.

It is very exciting. Well, Mr. Sawabini thank you for having us today, we look forward to talking to you again in a few months about Iraq and other new projects. In the meantime, we would love to visit Sky Gate. Thank you very much.