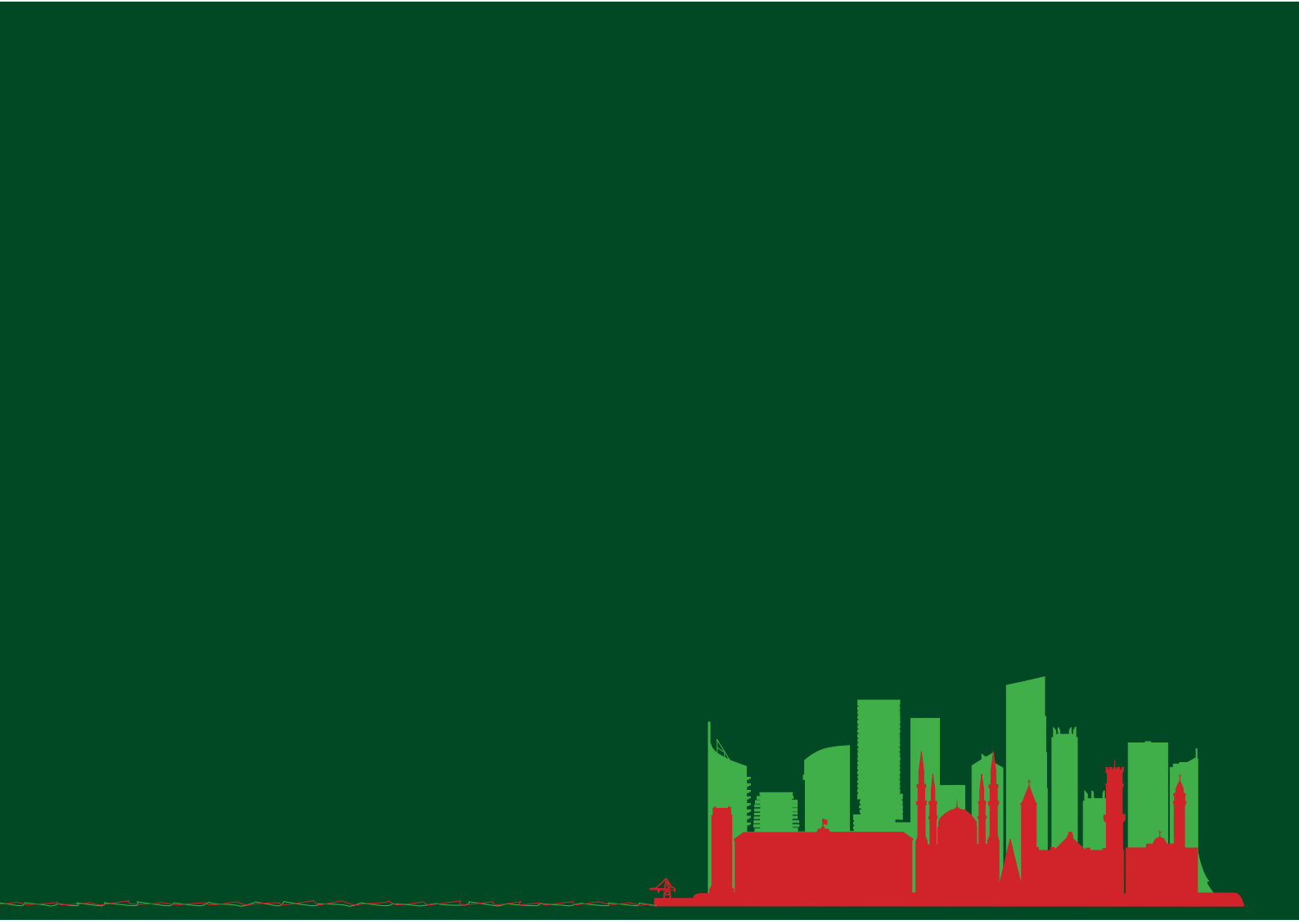
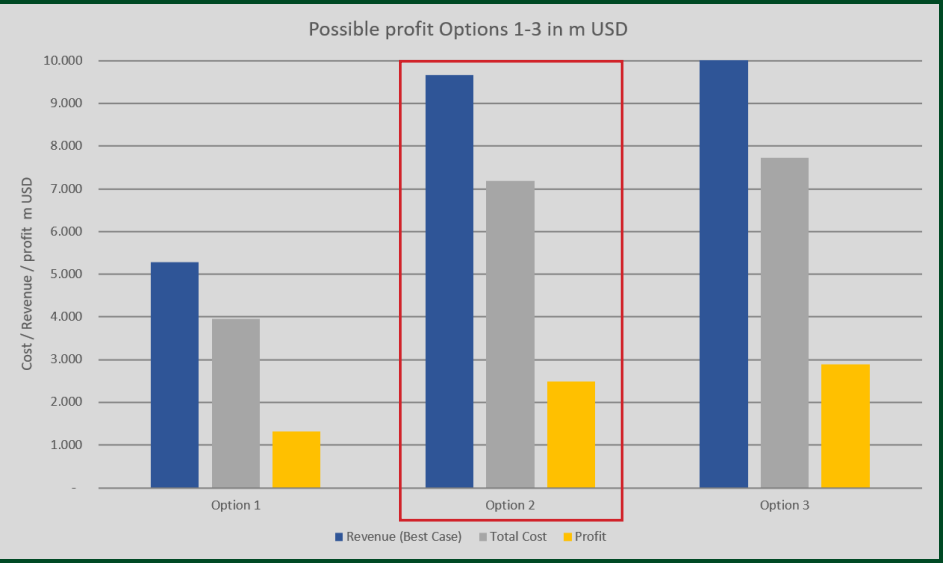


DIRECT PROFITABILITY

Colliers

Figure 38: Direct profitability investment costs account for approx USD 7 Billion (Option 2)



Source: Colliers International

Direct profitability

As shown in the above sections, the total revenue of urban development is around USD 8 to 10 bn (Option 2), Option 1 is around half that volume, as there is slightly half the land available and area to realize. Option 3 goes up to USD 10,5 bn.

Based on the investment costs (including profits for the developer and financing) and the different scenarios of generating revenue (including marketing costs), different calculations are possible.
In a sensitive analysis we also included a variation of the level of potential PPPs for public infrastructure investments.
Depending on the scenario (cost development / revenue development / volume of private financing), the development will potentially generate a profit of up to USD 2.5 bn.- in Option 2. These profits will be generated after the sales process generates higher income as investment therefor.
Different models are conceivable here, the implementation of which depends heavily on the framework conditions and the design of the specific marketing process and would go beyond the scope of this study:

- The time and package of the sale of undeveloped / developed land / buildings / apartments has a significant influence on the cash flow of the development.
- The associated allocation of risks of the structural implementation has a significant influence on the realizable profits of the overall development.

The aim should be to develop an optimal marketing strategy after defining an option and providing more detailed information on the project organization in a further study. The model is based on a comparison of the estimated investments with the forecasted marketing profits. In the further development, an in-depth investigation and optimization of this model is required. The following aspects should be examined further:

- Models of property transfer and sale to developers.
- Marketing models based on market forecasts and underlying possible customer profiles.
- Synergies from joint developments in port and urban development in the field of technical infrastructure.
- Possibilities and limitations of public-private models.

Basically, the assumptions of the model must be verified through further studies and planning:

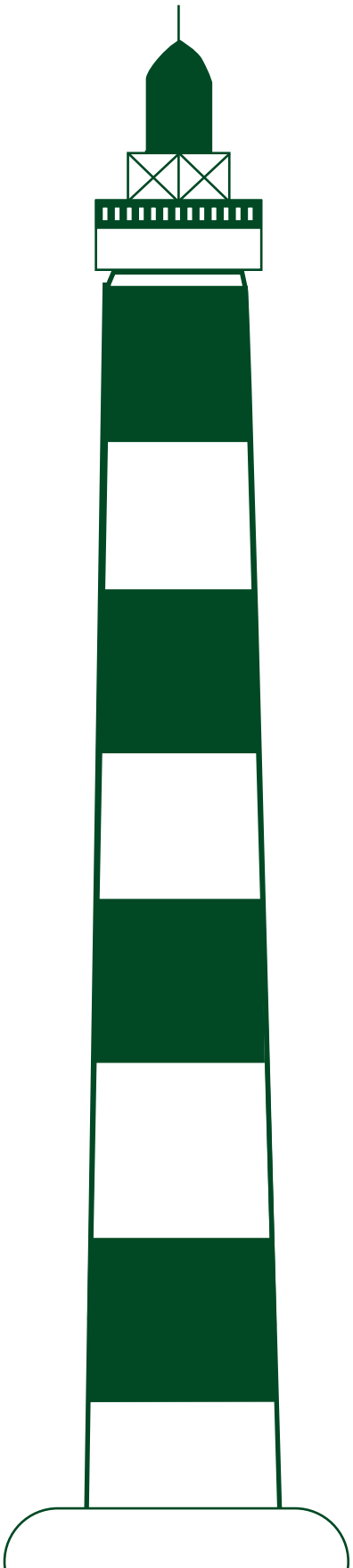
- Investigations of the building site (subsoil, contamination, load-bearing capacity, etc.
- Investigation of the areas of land reclamation (including hydrogeological conditions).
- Traffic planning.

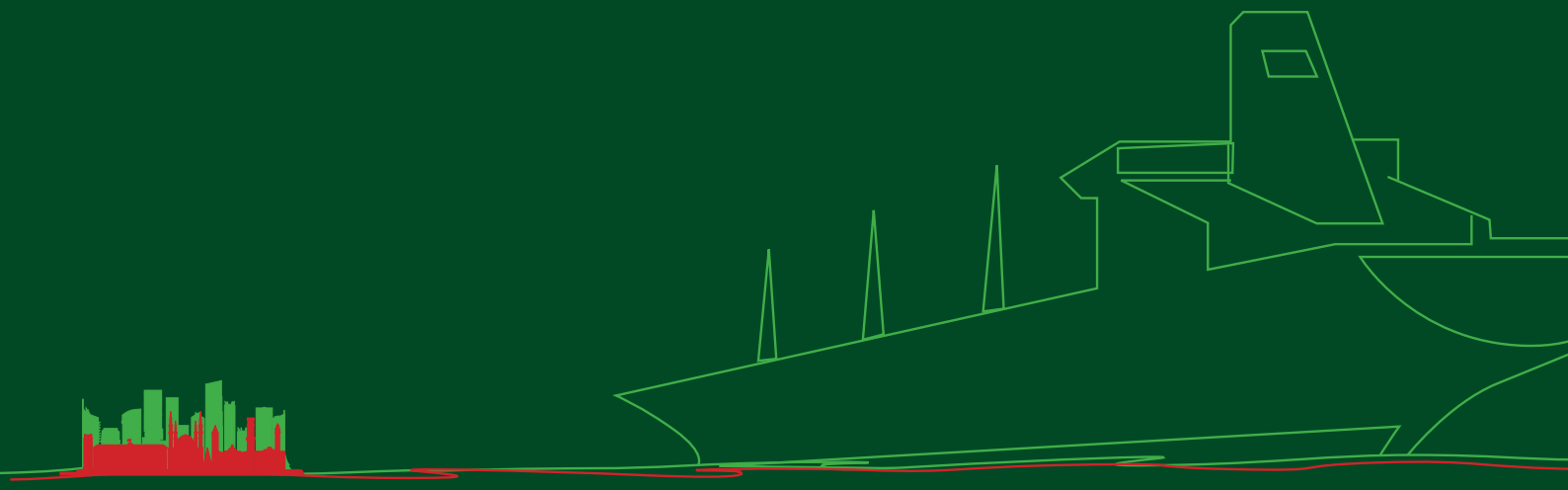
Here, too, there are synergies between port and urban development and the need for coordination. The full amount of the expected profit is only available after all assets have been sold. A period of up to 15 to 20 years can be assumed. The profit can be invested in the expansion of the port, the reconstruction of the historic center and social projects (i.e. family living).

All these calculations are assumption driven and are highly subject to the development of the country. The realization of the shown revenues is strongly dependent on existing risks due to the political and economic situation in Lebanon.

Ongoing examinations
In the financial model, all investments in technical infrastructure are based on model calculations and comparative values and have to be proofed by planning.

The extent to which private investments can be integrated needs to be clarified in ongoing studies. Herein also potential synergies between port and urban development need to be examined.





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