AMERICAN UNIVERSITY OF BEIRUT

A SEGMENT OF BEIRUT'S REAL-ESTATE MACHINE: HOUSING PRODUCTION AND EXCHANGE IN TARIQ EL-JDIDE (1996-2018)

by
SOHA SUHEIL MNEIMNEH

A thesis
submitted in partial fulfillment of the requirements
for the degree of Master of Urban Planning and Policy
to the Department of Architecture and Design
of the Maroun Semaan Faculty of Engineering and Architecture
at the American University of Beirut

Beirut, Lebanon
April 2019

AMERICAN UNIVERSITY OF BEIRUT

A SEGMENT OF BEIRUT'S REAL-ESTATE MACHINE:
HOUSING PRODUCTION AND EXCHANGE IN TARIQ EL-JDIDE (1996-2018)

by

SOHA SUHEIL MNEIMNEH

Approved by:

Dr. Mona Fawaz, Professor — Advisor
Department of Architecture and Design

Dr. Mona Harb, Professor — Member of Committee
Department of Architecture and Design

Dr. Walid Marrouch, Associate Professor — Member of Committee
Lebanese American University

Date of thesis/dissertation defense: April 24, 2019

AMERICAN UNIVERSITY OF BEIRUT

THESIS, DISSERTATION, PROJECT RELEASE FORM

Student Name:

Mneimneh	Soha	Suheil
Last	First	Middle

● Master's Thesis ○ Master's Project ○ Doctoral Dissertation

[x] I authorize the American University of Beirut to: (a) reproduce hard or electronic copies of my thesis, dissertation, or project; (b) include such copies in the archives and digital repositories of the University; and (c) make freely available such copies to third parties for research or educational purposes.

[ ] I authorize the American University of Beirut, to: (a) reproduce hard or electronic copies of it; (b) include such copies in the archives and digital repositories of the University; and (c) make freely available such copies to third parties for research or educational purposes after:

One ---- year from the date of submission of my thesis, dissertation, or project.
Two ---- years from the date of submission of my thesis, dissertation, or project.
Three ---- years from the date of submission of my thesis, dissertation, or project.

May 8, 2019

Signature Date

ACKNOWLEDGMENTS

I would first like to thank my advisor, Professor Mona Fawaz, for guiding me throughout this thesis, for introducing me to the research topic, and for giving me the opportunity to be part of her research team. Words cannot describe how much I appreciate your support. You were more than an advisor; you always motivated me to think critically as a planner, and I am always inspired by your passion and commitment to make our cities livable. You were an inspiration on a professional and personal level, and I hope that in the future I can live up to your expectations.

I am also thankful to Professor Mona Harb and Professor Walid Marrouch for their support and challenging questions. You enriched my thesis with your insights on planning, sectarianism, and urban economics. Thank you for all the valuable comments and for all the trust you have given me.

I extend my appreciation to the amazing research team at the Beirut Urban Lab. Thank you Dounia, Michelle, Mario, Shareef, Isabella, and Abir for all your technical and intellectual support. To Dunia and Diala, thank you for constantly giving me your opinion and for your company throughout this journey.

On a personal level, I am forever thankful to my loving and caring parents. Their support means the world to me, and I would never have been able to achieve any of this without them. Thank you for encouraging me to do what I love and for believing in my capabilities. I also thank my sisters, Sara, Serene, and Samar who motivated and supported me during good and difficult times. To my life partner, Taysseer, thank you for bearing with me and for carrying so much of life’s burdens throughout this thesis. You are all my backbone and I am so blessed to have you.

My sincerest appreciation goes out to all of you.

AN ABSTRACT OF THE THESIS OF

Soha Suheil Mneimneh for Master of Urban Planning and Policy
Major: Urban Planning and Policy

Title: A Segment of Beirut's Real-estate Machine: Housing Production and Exchange in Tariq el-Jdide (1996-2018)

Over the past decade, several researchers have argued that Beirut's housing market, well in line with the rest of cities around the globe, has been "financialized". Describing changes at the policy and practice levels, these arguments show that banks and financial actors play an increasing role in the production of the built environment. Building on ongoing research in the *Beirut Urban Lab* that explores the "actually existing financialization of land", this thesis investigates the intersection of public urban planning policies (housing finance and building law) and the built environment in the neighborhood of Tariq el-Jdideh.

The thesis shows that the "actually existing financialization" in this market segment is subject to the effects of banking finance and building law, yet materializes differently within the segment's class and sect distinctions.

In Tariq el-Jdide, the building law amendment 646 issued in 2004 intensified gentrification and contributed to the financialization of the built environment by providing the incentive for professional and amateur developers to invest intensely in the market. Conversely, the thesis shows that banking finance (for both developers and residents) had relatively insignificant impacts on real-estate production in this market, which nuances the findings of earlier scholars who link processes of financialization to urbanization and production of the urban built environment (Marot 2018, Krijnen 2015).

Finally, by looking at how sect and class determine the profiles of both developers and their clients, the thesis shows that one cannot understand the actual materialization of financialization without accounting for social (family, sectarian, political and religious) networks in housing production and exchange. It further shows that the reproduction of this neighborhood as a sectarian/political territory occurs through the organization of building development.

CONTENTS

ILLUSTRATIONS

TABLES

Table Page

CHAPTER I

INTRODUCTION

A. Access to Housing in Lebanon

During the 1990s, housing loans were widely described in the policy literature as "the tool" to secure affordable housing delivery (Brenner and Marcuse 2012, Buckley & Kalarickal 2006). Following decades in which states played the role of housing providers through social housing provision and/or informal settlement upgrading, the World Bank advocated a shift in this role, with states moving to act as "enablers" of the market particularly through the improvement of tools of housing finance (World Bank 1994). Although the Lebanese state had never engaged seriously in the role of housing provider, it embraced the World Bank dogma as part of its post war reconstruction. In 1997, housing loans which until then were provided only in limited form by the Housing Bank were introduced as of 1998 as the main housing strategy.

The Public Housing Corporation (PCH) [1] thus introduced in 1997 a subsidized housing loan scheme targeted to specific income groups considered "middle classes" on the basis of their income (Article 5738/1994; Law 539/1996). The scheme introduced by the PCH allowed the agency to partner with a number of selected private banks who would approve the loans that the PCH would refinance over a longer period at subsidized rates for clients who are also exempted from a number of fees including property registration.

[1] Established in 1996, the Public Housing Corporation replaced the Public Housing Agency and the Ministry of Housing as the only public agency entrusted with the housing sector in Lebanon.

It is worth pointing out from the outset that the justification for the introduction of housing loans as an instrument for the Public Housing Corporation (PCH) at the time referred to the high rates of vacancy and the need for capital to be recirculated in the economy by securing buyers. Hence, if it subsidized housing loans by targeting middle-class families, the concern for housing provision was only one of the reasons housing loans were introduced at that time, although this justification eventually became the dominant reason given by the Public Housing Corporation, the main public agency entrusted with the provision of housing loans.

What is the impact of these housing loans, however, on the provision of housing for low and middle income families in Lebanon? Marrouche (2017) have argued that the introduction of housing finance distorted market prices, raising artificially the costs of home for all city dwellers. Krijnen (2016) has further argued that loans as well as other incentives given by the Central Banks to financial agencies (particularly banks) to come in as developers in Beirut's housing market have led to the rapid gentrification of the city's housing market, leading to the eviction of city-dwellers from a number of neighborhoods where the rent gap was particularly large (Krijnen and De Beukelaer 2015). Similarly, Marot (2018) has shown that financial facilities given to developers and homebuyers can only be understood as part of the larger scheme in which the Central Bank has stabilized the Lebanese currency in the past few years by attracting foreign capital to the building sector, in some making some form of "urban peg". More recently, (Fawaz and Salame 2019) have argued that this financialization is threatening with the loss of land's social value.

These studies are useful in pointing to the impacts of "financialization", or the penetration of financial tools and actors in Beirut's land and housing markets (Aalbers

2016), on processes of housing acquisition in the city.[2] They point, well in line with other studies, that housing finance cannot be considered a fool proof tool to facilitate housing provision (Fernandez and Aalbers, 2016). Yet these studies still fall short from accounting for the local forces through which financialization materializes. What are the public policies through which financialization is developed? Beyond the description of the housing loans themselves, which instruments are developers using, what roles are banks playing, and who are the other financial actors in the production of land? Furthermore, how do local forces organizing society such as class (Fawaz 2004) and sectarianism (Farah 2011, Bou Akar 2018, Nucho 2016) influence this financialization and how it materializes in urban change.[3] In other words, and well in line with earlier arguments about the local materialization of neoliberal schemes (Brenner and Theodore 2002), how does financialization actually materialize in specific national and regional contexts?

This research frame builds on the work of the Beirut Urban Lab that launched a study that looks at the *actually happening financialization* of land, arguing that informality, sectarianism, histories of family and political belonging, among other forces reshape the penetration of capital across and within cities. The *Beirut Building Database* looks comparatively at Beirut's neighborhoods, seeking to study the materialization of this general scheme across the city's neighborhood. As part of this large research project,

[2] Scholars have defined financialization as the increasing dominance of financial actors, market practices, measurements and narratives, at various scales, resulting in a structural transformation of economies, firms (including financial institutions), states and households' (Aalbers 2016).

[3] I approach sectarianism in this study, well in line with Bou Akar (2008) as a lived and practiced reality, a form of group identification deeply embedded in a specific historical moment and intertwined with political organizing and organizations. I do not attempt to trace the emergence nor history of the term, nor look into the causes of the establishment of this form of social organization in Lebanon, knowing that it is the result of two centuries of state formation and social organization in Lebanon's difficult history (Makdissi 2000).

this thesis seeks to unravel the impacts of public policies (housing finance and building law) on the housing market of one neighborhood of Beirut, Tariq el-Jdideh (see fig 1).

Figure 1: Location of Tariq el-Jdide in Beirut, *Source: Google Earth 2019*

Tariq el-Jdide, a low to middle income neighborhood, provides an excellent case study for the intersection of class and sect. Indeed, the neighborhood is widely known for its Sunni political identity, what is sometimes termed the "reservoir" of support of the Future Movement (AUB Urban Planning, Policy, and Design workshop 2017). This, of course, is not a natural process. Rather, Tarik el-Jdide was historically a mixed and vibrant residential area of Beirut. Its transformation over the past two decades is the outcome of severe political strategizing and the polarization and territorialization of Beirut (see fig. 2). While these processes are outside the scope of the thesis, my research will highlight, whenever needed, the way in which this political territorialization is developed through the housing market, mainly when it comes to developers’ networks and affiliations.

According to the *Beirut Building Database*, 167 buildings in Tariq el-Jdide have been demolished and replaced by newer, larger developments between 1996 and 2018 (see fig 3 and 4). In this process, numerous families –mainly but not only old rent tenants- left the neighborhood while others, typically better-off middle-income couples replaced them (Public Works 2017). While this is a form of gentrification is not affected by new recreational activities or a creative class entering the neighborhood (Krijnen 2015), it is one where upper income residents replace lower-income residents of the neighborhood.

Figure 2: Political and religious signs in Tariq El-Jdide (2018)

Figure 4: New projects in Tariq El-Jdide (2018)

Figure 3: Evicted building to be demolished in TJ (2018)

B. Thesis Argument

How has the financialization of land unfolded in the neighborhood of Tarik el Jdideh? Who are the actors (developers and clients) and who is displacing who? How do existing planning frameworks (specifically using housing finance and building law) influence these processes? And how is the financialization of the built environment affected by the context of a divided, sectarian city?

I first show that developers of Tariq el-Jdide are the main actors involved while banks had a minimal impact on real-estate development of the neighborhood. These developers share a similar profile: They are Muslim Sunni middle-aged and senior men who were raised in Tariq el-Jdide and have strong social and political networks. The developers and dwellers rely less on banking finance and more on the internal social networks that connect them to organize the production and exchange of housing. In other words, the impact of banking finance may be much more modest in middle income neighborhoods of Beirut, as evidenced in the case study I have taken in TJ.

Instead of bank loans, developers relied essentially on forward payments from clients, preferring hence to advocate for changes in the building law that can allow them to build more, higher, and hence increase direct profit from a single development rather than count on finance from banking institutions.

Consequently, financialization materializes within a very specific social geometry in the studied neighborhoods, contradicting earlier claims about blanket neoliberalism in Beirut (Krijnen 2016, Marot 2018).

C. Thesis Significance

The purpose of the research is to first extend our knowledge of the financialization of the built environment, the real-estate market, and gentrification in understudied segments of Beirut, looking at how policies and planning regulations - particularly those associated with making housing more affordable- influence processes of urban change. It is, second, to nuance how we read and understand urban change given class and sectarian distinctions.

D. Literature Review

This literature review covers four main sections. The first section displays the different debates related to the financialization of the built environment and the necessity to study it in relation to different market segments. The second section highlights the need to study social actors and the institutional framework in the study of the real-estate market. The third section relates gentrification and real-estate development to the financial institutions involved in housing production, while the fourth section shows how space is reproduced in relation to morality, sectarianism, and territorialization.

1. The Financialization of the Built Environment and the Segmentation of the Market

As mentioned earlier, the role of states shifted during the 90s from providing shelter and upgrading informal settlements to enabling markets, following the 1994 World Bank vision. This shift was facilitated by the introduction of new institutions. In Lebanon, the main institutions were banks providing liquidity for developers to build and for residents to be able to buy (Marot 2018). Other examples of institutions which facilitate housing finance are courts of law which aim to organize the housing exchange, making sure clients do not default from paying. In order to understand how these institutions affect housing production in TJ, I highlight in this section the explanations used by the *Beirut Building Database* to analyze the *financialization* of the built environment.

The financialization of the built environment became recently a global phenomenon that changed peoples' perception of housing from a right to a financial asset. Housing loans consequently became the main tool for housing acquisition by middle and low income classes (Rolnik, 2013, Boegart 2018). In Lebanon, scholars argue that financialization was facilitated by state policies (subsidized housing loans) and by creating the institutional framework which supports it (e.g. PCH) (Marot 2018).

Processes of financialization have been linked to policies which facilitate production of the urban built environment through private and corporate actors. While this is a global phenomenon, financialization differs across different contexts at various scales. Brenner and Theodore (2002) argue that the "actually existing neoliberalism" materialize within a very specific context. Likewise, the *Beirut Building Database* looks at the "actually existing financialization" to study how this process occurs differently in (1) cities of the Global South arguing that financialization occurs differently in these cities, and (2) in different market segments in the same city to show how internal forces shape the market and housing. Zhang for example shows how developers in Kunming, China can only work through networks of political capital (Zhang 2010), while Weinstein shows the intersection between financialization and Indian Mafia in the case of Mumbai (Weinstein 2018). These accounts of cities of the Global South indicate that processes of financialization follow different paths and mechanisms that depend on the existing political and economic contexts, which also suggests a segmented analysis of the market to understand how financialization materializes.

2. Agents Involved in Real-estate Development

One of the most critical factors that need to be traced when analyzing land and real estate dynamics is the sources of capital investments in the built environment (Fainstein 1994, Garcia et al. 1994). One source of reliable information for conducting this task is bank reports that typically publish real estate figures regularly (Garcia et al. 1994). This gives insights on the relation between land, real-estate investment, and the cycles of the economy. Although financial imperatives may dominate the decisions for real-estate investments, they might not be the main motive for development. According to Fainstein, Garcia, and Jiménez (1994), political, social, economic and ideological factors also influence decision-making and the choice of investment. Based on these authors' insights, I interviewed various groups of social agents involved in land investments and developments to understand the reasons behind financial investments. Interviewed social agents include mainly developers and residents.

One of the main agents involved in the land and housing market is the *developer*, also defined by some scholars as the *promoter* (Topalov 1975, 1979, Schteingart 1989). According to Topalov, the promoter is a distinct social agent investing in land to liberate it for building and finances the construction directly or through banks. Schteingart argues that Topalov did not include all possible scenarios for real-estate development. By investigating the case of Mexico City, she demonstrates the need to study the market in a more comprehensive manner. Schteingart considers the market to be less uniform suggesting a segmented analysis to include informality, illegality, and a further investigation of other activities performed by developers in different cities. This reaffirms the need to study real-estate developments of Beirut where developer activities and different sources of finance unravel different processes of urban change. I limited my study to TJ, a middle income formal neighborhood in Beirut, since topics of informality and illegality were covered by several scholars and researchers in Beirut (Fawaz 2004, 2009). Based on these scholarly works and reviews, I investigated both developers and residents' sources of finance while addressing their political and social preferences.

3. Gentrification and Real-estate Production

In order to study gentrification in Tariq el-Jdide, or the processes through which rebuilding of urban neighborhoods by means of the influx of more affluent residents happens, I adopt the approach advocated by Smith (1979). Smith examines gentrification from the side of urban production studying the logic of investors and how capital investment takes place in land and housing. Smith advocates a critical analysis of the role of the state and financial institutions which influences potential rent and channels investment towards certain areas. This claim suggests studying state policies (building law amendments and housing loans) as well as financial institutions (e.g. banks) involved in urban change and the real-estate market of Tariq el-Jdide. It also suggests that studying gentrification should look more into the agents involved, and less into the classical supply-demand analysis of the market which describes gentrification as a natural outcome of public policies without looking into the actors involved (e.g. developers) or considering the segmentation of the market.

In Lebanon, Krijnen & De Beukelaer (2015) argue for the necessity to articulate new frames to understand the way gentrification occurs in contexts of the Global South, negating earlier claims of the particularity of the process as a western experience (Lees 2008, Ley 1986, Smith 1979, Florida 2005, Peck 2005). Krijnen defines gentrification as a result of a rent gap that makes investment in the built environment more profitable and consequently displaces old time residents. She also linked diaspora capital to gentrification in neighborhoods of Beirut, as one of the specificities of some southern cities that depend on remittances in their economies. She further adds, along with other scholars, that some variables (e.g. sectarianism, ethnicity…) should be explored in understanding flows of people and capital in/out of cities. This claim supports my choice of sect and class as variables that need to be addressed in the study of Tariq el-Jdide. It also supports my argument of studying different market segments since gentrification processes occur differently in relation to different policies and internal forces colliding in a very specific context. In the case of Tariq el-Jdide, I look specifically at the impact of public policies and developer strategies to analyze how these processes unfold.

4. *Territoriality, Sectarianism, Morality, and the Organization of Space*

Territoriality in planning theory has frequently been engaged in studies related to war, conflict and contestation. However, scholars argue that other forms of territoriality in planning practice should be addressed in the planning literature. Some of these terms are homeland, ethnicity, gentrification, and sect. According to Yiftachel, *homeland* and *ethnicity* are critical yet 'untouched' terms in the planning literature which can be useful when studying contestations (Yiftachel 2006). These terms are usually associated with an idealistic perception of planning, one which Forester calls 'the organization of hope' (Forester 2004). Yiftachel however critiques Forester's theory by conceptualizing *ethnicity* and *homeland* within the dark side of planning. One example is the case of the 'Estonization' of Tallinn which led to the marginalization of a large Russian community. Bou Akar examines the social impact of planning and zoning regulations in Beirut as a driver for a sectarian divide that continues to grow after the civil war (Bou

Akar 2018). In her book, she argues that planning regulations can be used to draw territorial boundaries as she explains in the Chouiefat case, where the Druze Progressive Socialist party (PSP) gained control of the local government, the Choueifat municipality, while Hezbollah gained control over the area's real estate and housing markets.

Yiftachel proves his argument by showing how the Israeli government imposed planning tools to create territories that segregate Israelis based on their origin. In the case of Bou Akar, she shows how political parties used planning tools to create territories that segregated different sectarian groups. Both cases demonstrate a *top-down* planning approach (whether from the government or political parties) that reinforces territories, and in the case of Chouifet, sectarianism. In the case of Tariq el-Jdide, I look at how other internal forces: developers and residents reproduce and organize these territories from the *bottom-up* to further appropriate the space and intensify sectarianism. This analysis supports my argument of studying different market segments (TJ is different from Chouifet), which further shows that the "actually existing financialization" and "actually existing neoliberalism" are different in every context (Brenner 2002).

In her book, Harb shows how people reproduce territorialization, from the bottom-up, though their everyday practices (Harb and Deeb 2013). Although a segmented analysis is necessary, the case of Dahiye is very similar to Tariq el-Jdide since they are both organized and controlled by main political sectarian parties. They both belong to a very similar income group (both low to middle income), both are situated at the periphery of Beirut catering to a working class, and both include some informal settlements. The extent to which these neighborhoods are similar makes some people refer to Dahiye as the Muslim Shiite Tariq el-Jdide, or vice versa. In the case of Dahiye, Harb shows how *morality* is affected by the residents' social practices, not just religious and political ones. This shift in the concepts which shape morality is translated in the organization of space, as we see new trends of restaurants and cafes emerging in Dahiye. This literature suggests that social, political, and religious concepts intertwine to shape morality and in turn shape geographies and territories.

Since Beirut is made up of territories organized by different political parties, and is far from being a seamless space, my analysis of Tariq el-Jdide's housing market looks at the concepts of morality and sectarianism to understand how housing exchange and production materialize and further intensify sectarianism in TJ. I highlight these concepts when looking at (1) the affiliations of developers and the networks they rely on to build, and (2) morality as a guide to the selection of housing loans.

Building on these discussions, I will investigate the intersection of sect and morality with real-estate development, the financialization of the built environment, and gentrification. The analysis includes a study of actors and institutions involved in the production and exchange of housing in the segment of TJ, by investigating the impact of building law amendments, subsidized housing loans, construction loans, Islamic housing loans, and developer strategies.

E. Methodology

In order to explore the financialization of the built environment and processes of gentrification, through the lenses of sect and class in Tariq el-Jdide, I investigated the impact of banking finance and the building law on housing and development dynamics in this neighborhood. My entry points to the study of housing and development dynamics are four:

i. Profiling developers promoting construction, looking at their relation (personal origin, sect, political affiliation, religious affiliations) to the neighborhood, the size of their companies, the spread of their investments, years of activity, building activity, and their sources of financing.
ii. Locating three types of bank loans (construction loans, PCH loans, and Islamic bank loans) in order to understand the impact of banking finance on housing.
iii. Looking at the impact of three building law amendments on real-estate production and housing (646/2004) (7964/2012) (220/2000)
iv. Profiling residents who have access to housing and residents under threat of eviction by these developments (mainly socio-economic profile): income, gender, age, income, etc. and more importantly, the type of financing they are receiving.

1. Data Collection

Understanding real-estate development dynamics and processes of gentrification requires collecting data related to the different stakeholders of Tariq el-Jdide: The developers, the residents under threat of eviction, the residents who have access to housing, in addition to the different, social, religious, political and financial institutions. I used mixed methods, quantitative and qualitative, to collect such data (Creswell 2009, Du Toit 2012). Quantitative methods were applied to the survey of building documents and mapping, while interviews followed a more open-ended, semi-structured qualitative approach that better adapts to understanding processes as sensitive as sectarian and class divisions.

First, I analyzed available documents on the neighborhoods, in addition to mapping through fieldwork in order to understand how each stakeholder operates. The documents used are:

- Data from the GIS database, the *Beirut Building Database*, developed by the *Beirut Urban Lab*. This database includes all construction permits filed at the Order of Engineers and Architecture between 1996 and 2018 (see fig. 12). However, not every permit indicates an existing project, since many developers decide to postpone the construction phase after issuing the permit, while sometimes utilizing the site as a temporarily parking lot. During the surveys, we were able to identify the projects' location, apartment size, apartment sale/rent price, vacancy rates, and developer names from the projects' advertisement boards or by asking marketing agencies (see fig. 5).

Figure 5: advertisement boards on construction sites (2018)

- The Beirut Building Database also contains data from the Public Corporation for Housing. The PCH has official records of all residents who obtained a subsidized housing loan. I used these statistics to identify and locate the households purchased using a PCH loan as a means of financing.

- Different online sources and websites that help me identify building activities of developers.
- Data collected from 2 out of 4 Islamic banks that provide housing loans. This data includes only the location where the housing loan was obtained.
- The maps and documents produced by the students enrolled in the MUPP-MUD programs through the workshop on Tariq El-Jdide[4]. This data includes political, economic, and social info which helped me understand the background of the neighborhood. The documents also indicate the location and influence of some political and religious institutions contributed to the production of housing. Additionally, the students mapped the current buildings and their condition. The produced info helped me build on the database mainly to identify networks.

2. Interviews

The second method of data collection was through individual interviews conducted with two main groups of stakeholders. Interviews were semi-structured (Farthing 2016, Garcia et al. 1994) with the following interlocutors:

- Developers in order to profile them, understand how they select the building, their sources of financing, and where else they work in Beirut. I also investigated their building strategies: How do they acquire land? How and when do they start selling or advertising? Do they receive financial support from

[4] A planning workshop as part of the Masters in Urban Planning, Policy, and Design at AUB supervised by Mona Harb and Ibrahim Mneimneh during Fall 2017

organizations? Do they have partnership? Do they target or avoid buildings that have rent control?

- Residents (including new comers and old time residents) in order to trace who is being displaced and who the new resident are. Where did the old residents go? Were they on rent control? Who is coming to the neighborhoods? Do they have previous relations within the neighborhood? Where did they come from? What is facilitating the process through which they can purchase an apartment?

Developers' names and contact information were collected during fieldwork, in addition to online research to know where they build inside and outside the neighborhood, number of buildings they developed, years of activity… I then chose a sample out of each category (e.g. sample of developers who built once vs those who built over 10 projects) to make sure I covered all categories of developers in TJ. I conducted a total of 17 interviews with this group. 27 interviews with residents were conducted following the snow balling technique, respecting the IRB regulations for this method of data collection. To respect the confidentiality and privacy of my respondent, I used fake names for residents and developers throughout the thesis.

F. Thesis Structure

In this chapter, I presented my research question, argument, and methodology, which aim to unravel the processes of financialization by looking at impact of two public policies (housing finance and the building law) on the real-estate market and housing on TJ. The second chapter profiles the neighborhood of Tariq el-Jdide and gives a general overview of the neighborhood. To prove my argument, the third chapter *Mapping Developers of Tariq el-Jdide*, profiles the developers of TJ, categorizes them according to their company structure and building activity, then maps their activities at a local and city scale. The fourth chapter, *Banking Finance: Myth or Reality* shows the impact of three types of bank loans (construction loans, PCH subsidized housing loans, and Islamic bank loans) on real-estate production and housing acquisition in TJ. It also shows the other sources of finance used in housing production and acquisition. These sources are mainly forward payment, partnerships between several developers, partnerships with landowners, and liquidity from silent investors. The fifth chapter *Building Laws and the Real-estate Sector* shows that public policies related to the building law had a much greater impact on real-estate production in TJ. The building laws used to prove this point are the (646/2004) law which allows developers to exclude certain spaces from the allowable built up area, the (7964/2012) law which sets new guidelines for public safety in new buildings, and the (220/2000) law which aims to give access to housing for people with special needs. The sixth chapter *Who Has Access to Housing in TJ* shows that all the above discussed policies and financing mechanisms limited access to housing for a certain population. It also profiles these residents and residents who are under threat of eviction to show that public policies and internal forces (developer strategies) intensified the competition between different income groups who want to stay connected to their social networks in TJ. Finally, the seventh chapter concludes with a summary of findings and replicability of financialization in Tariq el-Jdide to other neighborhoods.

CHAPTER II

THE CASE OF TARIQ EL-JDIDE

Tariq el-Jdide geographically spreads over 0.82 Km^2, and is known to be one of the most densely populated neighborhoods of Municipal Beirut. The density of the neighborhood is translated in the different perceptions of city dwellers towards the neighborhood. Some describe it as a district, an area, or even a city within a city. It has several sub-neighborhoods reflecting several commercial, residential, social, political, religious, and leisure activities. In this section, I profile the neighborhood in relation to these activities. I focus my profiling on zoning regulations, ownership patterns, religious and political institutions, and other existing forces which might contribute to the production of housing in Tariq el-Jdide.

A. Location, Case selection, and Pricing

Tariq el-Jdide is located at the southern edge of the city (see fig 1). It is segregated by three main highways: Saeb Salam (known as Cornish el-Mazraa) at the northern edge, November 22 (known as Kakas) at the eastern edge, and Bourj Abi Haidar at the western edge which is known as the Cola informal station. The fourth main artery which draws my study limit is the Souleiman Boustani road. This road is connected to the Tariq el-Jdide road (meaning new road in Arabic), one of the main arteries in the neighborhood, giving the name of area.

Tariq el-Jdide is surrounded by five main neighborhoods and two green areas. Each neighborhood has a different profile in terms of class and/or sect. Bir Hassan is a high income neighborhood, while Sabra and Shatila camps cater to a lower income group, mainly Palestinian and Syrian refugees. Ras Nabaa, Barbour, and Wata Moussaitbeh cater to middle- high income groups. In general, the closer the neighborhood is to the city center and the coast, the more expensive it is. Tariq el-Jdide is thus located between these mid to high income neighborhoods and informal camps.

Figure 6: The surrounding neighborhoods of Tariq el-Jdide

The area is characterized by lower residential pricing (less than USD 3000/SQM in 2017) compared to other areas located around the city center and the coast (see fig 7). This map validates my choice of Tariq El-Jdide as a case study to research housing production and real-estate dynamics in low to mid-income neighborhoods in Beirut.

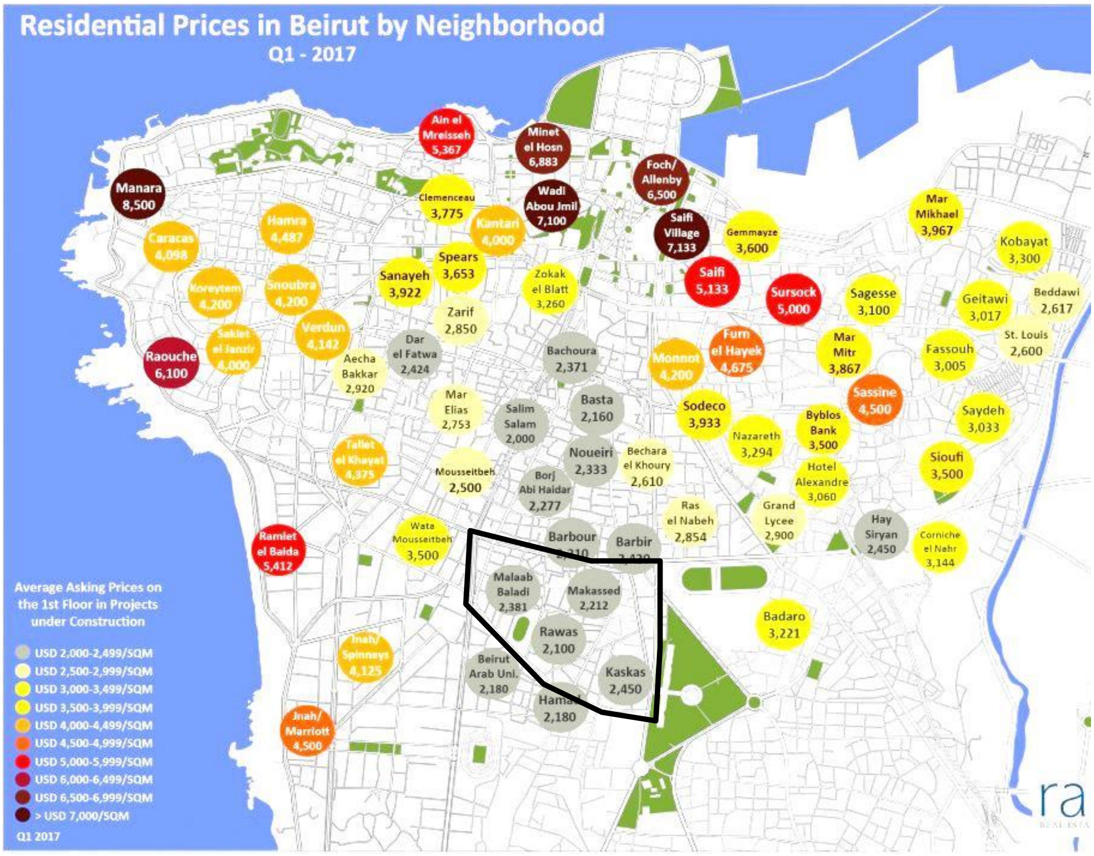


Figure 7: Residential Prices in Beirut by Neighborhood according to RAMCO real-estate advisors, *Source: RAMCO real-estate advisors*

B. Zoning of the Neighborhood

Tariq el-Jdide falls in zone 4 of Beirut’s master plan zoning (see fig 8). The basic construction regulations of zone 4 are the following:

- The coefficient of the total exploitation ration is 3.5 in relation to the area of the land to be developed.
- Floor to area ration (FAR) is 50%.
- The constructible parcels should have a minimum area of 150 m2, façade of 10 meters, and a depth of 8 meters.
- The setback limit is 4.5 meters, 6 for roads < 10, and 2 for roads > 10

These zoning regulations show how we currently think of land in Beirut: How much can I build? Other zoning and building regulations in Beirut will further be highlight in Chapter 5 to show how they affected housing and the real-estate market.

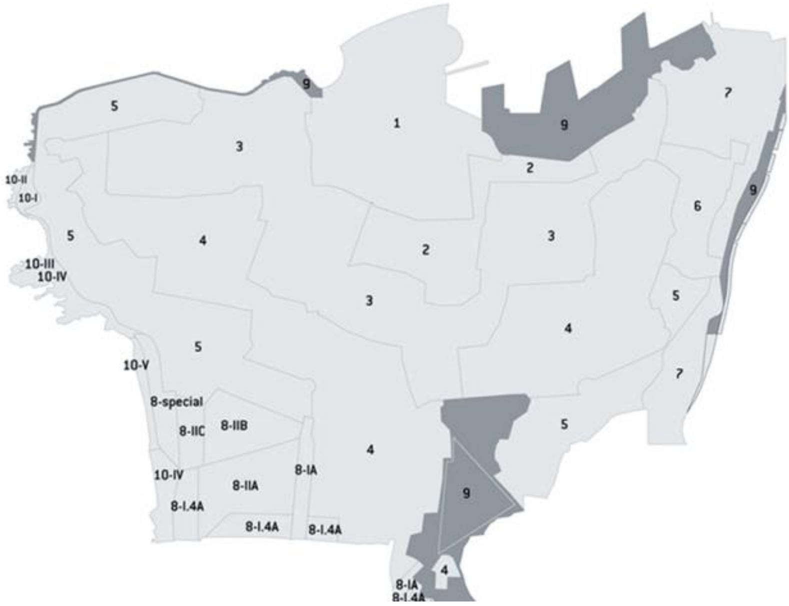


Figure 8: Zoning of Beirut, *Source: Beirut Municipality*

C. Historical Background

The below historical background is based on the studies done by Public Works (see fig 9) and the AUB Planning and Design workshop along with interpretations of historians in Beirut (Public Works 2017, AUB Workshop 2017, Fakhoury 2003, Aaref 2005, Saksouk 2006).

During the early 1900s, Tariq el-Jdide was divided into 3 main zones known as: Al-Ramel, Zreik, and Al-Arab. Zreik and Al-Arab zones were named after the families which owned the agricultural land. These lands were part of what we know today as Mazraa (Farm in Arabic). Al Ramel was part of what we know today as Bir Hassan which extends towards the coastal line of Ramlet el-Bayda, and was used as a summer resort.

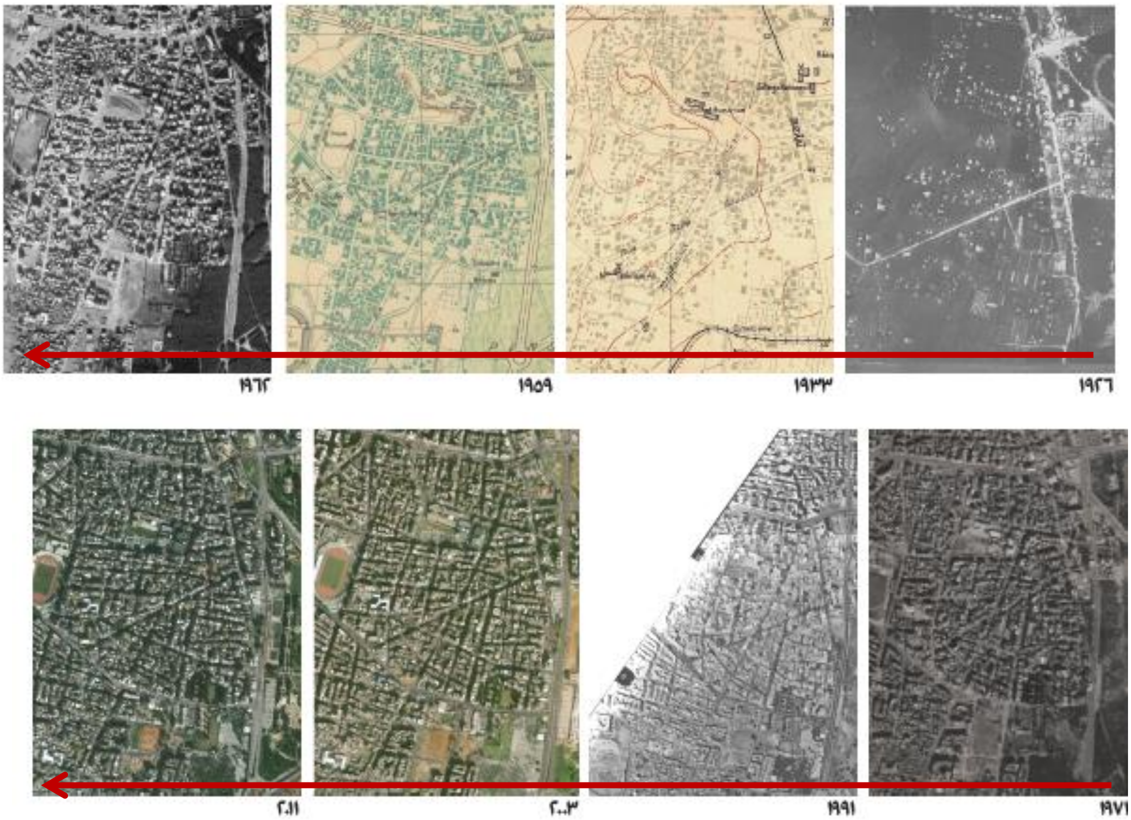


Figure 9: Historical Evolution of Tariq el-Jdide, *Source: Public Works 2017*

During the French Mandate period (1920-1943), several families living around the Mazraa agricultural land were granted land lots. These landowners subdivided the large land lots (10 thousand sqm) into buildable lots of to 500, 700, and 1000 sqm. At the time, the area was beginning to urbanize, and the process was precipitated by the establishment of a number of institutional buildings. Hence, the construction of the El Ramel Prison in 1935 marked a new era, requiring a new infrastructure including a new road: TJ linked the prison to the city center (see fig 9). The area was then called, Tariq el-Jdide, with reference to this new road. This road then led to urbanization of this area, as a result of several migrations to the city's edges. Following this urbanization, the municipal stadium, the Bir Hassan airport, and many other services were built in the area.

In 1960, the Beirut Arab University (BAU) was built, attracting a new group of residents, mainly Lebanese students from different neighborhoods. Between 1969 and 1982, several Palestinian associations mainly the Palestine Liberation Organization emerged in the neighborhood following mainly the political presence of Pro-Nasserist movements. After 1982, several religious and political parties started offering services in the neighborhood which might have strengthened their presence at that time.

D. Landmarks

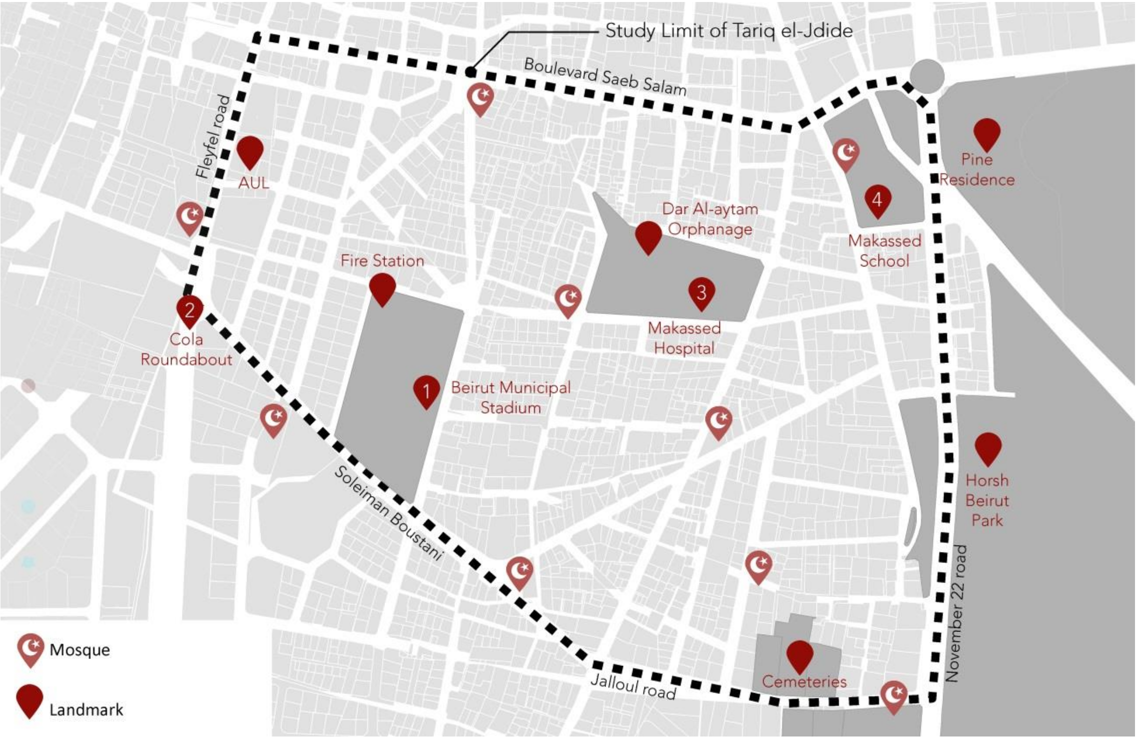


Figure 10: Landmarks and Mosques in TJ, *Source: by author*

The main current landmarks in –and around- TJ are Horsh Beirut, Makassed schools and hospital, the municipal stadium, and cemeteries at the borders (see fig 10). The 9 mosques in TJ are also major landmarks. These landmarks are regularly referred to by dwellers who link them to certain practices and services in the neighborhood. Mosques as landmarks also represent a sectarian religious dominance in the area.

E. Ownership Patterns

Most property in the neighborhood is privately held. We can detect several private institutions in the neighborhood owned mainly by two organizations: the Waqf[5] and the Makassed association[6], the two oldest institutions in the neighborhood. The exact distribution of land owned by these organizations needs further investigation, mainly through legal records, in order to detect the densities. For example, Waqf land can be in the form of a residential building, not necessarily a mosque. This can be the case since by law, Awqaf have the right to acquire land with disputed inheritance issues if not resolved after a certain period of time. Along with the public schools, Awqaf and Makassed reflect a Muslim Sunni dominance on institutional land.

F. Religious and Political Institutions

Aside from Makassed and Awqaf, several religious institutions and political institutions have established their headquarters and branches in TJ (see fig 11). The main political ones are offices of the Future movement, and Al-Murabitoun. Religious intuitions vary from those which have political agendas (e.g. Al-Mashari'a), to ones that are more religious (e.g. Futuwwa). These institutions are often linked to groups of strongmen in

[5] Waqf is a property controled by a council of religious men of a certain religious group assigned by public officials. Waqf is any asset that falls under the Awqaf organization mainly in the form of land or buildings. In the case of Tariq Jdide waqf is mainly Sunni Islamic.

6 The Makassed association defines itself as follows: "The Makassed Philanthropic Islamic Association of Beirut is a non-profit organization active since 1878. It provides services to its community through different sectors: Health, Education and Social Services."

TJ and in many cases govern mosques as a sign of power and dominance in the area. The political and religious institutes fight among each other from time to time which explains the presence of two checkpoints at the peripheries of the area.

Figure 11: Religious and Political Institutions in TJ, *Source: Planning and Design Workshop 2017*

G. Locating Developments over the Past 22 Years

a. New developments:

As seen in figure 12, new residential projects are scattered almost everywhere in Tariq el-Jdide, except for the south-western edge which has been spared so far. The map clearly shows that regardless of slight differences in land prices among the sub-neighborhoods of TJ, all sub-neighborhoods are catchy to developers, and are still being further redeveloped due to the high percentage of buildings under construction (14%). The distinctions however unravel important differences across developers, as seen in the next chapter.

Figure 12: Construction Permits of Tariq Jdide between 1996 and 2018, *Source: By Author through the Beirut Building Database 2018*

6% of future developments in TJ are located on lots that currently house old time residents under threat of eviction. Most of these residents were informed about future redevelopment plans and are currently going through court trials to defend themselves against forced eviction by real-estate developers. Profiles of these residents are presented further in chapter 6.

b. Vacancy Rates

There are about 225 empty apartments in the residential buildings surveyed in the BDD, amounting to 15% of the housing stock (see fig 13). This 15% is divided between apartments currently advertised for sale (7%) and apartments that were sold yet remain empty (8%). According to the surveys, the latter group of apartments are purchased by expats who did not rent them out but plan to move in upon retirement and/or during summer months.

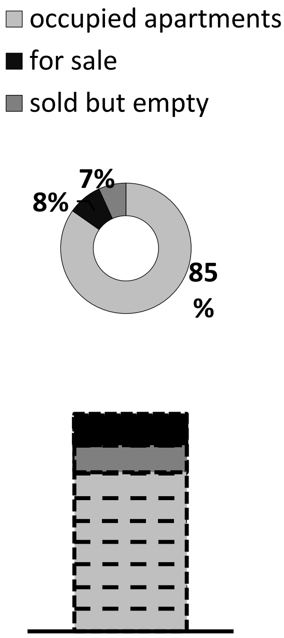


Figure 13: Vacancy rates in new Buildings of TJ, *Source BBD*

CHAPTER III

MAPPING OF TARIQ EL-JDIDE DEVELOPERS

Who builds Tariq el-Jdide? In this chapter, I first profile the developers of TJ based on several social and spatial features (Bourdieu 1999, Fawaz 2004, 2008). I map the developers who have initiated developments in the study area, identifying the geographic location of each of their projects in the neighborhood and at the city scale. I include in this chapter some information about the sources of finance on which each of the developers relies; these are however fully fleshed out in the next chapters that looks at the relation between housing loans and building activities.

As the chapter shows, crossing the social and spatial organization of building activities unravels a powerful role for both sect and class in the organization of building development in the study area, a finding likely to be replicated at the scale of Beirut.

The main sources used in order to understand the profile and distribution of developments are the Beirut Building Database, online advertisements of developers, and interviews with developers.

A. Profiling Tariq el-Jdide Developers

This section profiles the developers. It categorizes them according to the scale of their development agency and its organization –meaning whether the company operates in a family-owned structure or a corporate structure. This, in turn, leads to important indicators for the institutional frameworks in which the companies operate: how did these individuals come to be developers, what is their professional experience, years of activity, whether they rely on social and political networks or not, etc. The purpose of this profiling is to understand how trends in real-estate development have changed in Tariq el-Jdide over the past three decades. The analysis concludes by laying out the internal forces that contributed in the making of real-estate developers in Tariq el-Jdide.

1. *Categories, Company Structure, and Mechanism of Development*

Looking generally at the profiles of the 82 developers operating in TJ, it is possible to first distinguish between family businesses, corporate structure, and individual developers. By family structure I mean businesses that are owned and run by members of the same family and/or their friends or professional developers who choose to limit the organization of their businesses with less than 10 employees. I refer to corporates as highly professional organizations that consist of several departments (Marketing, Financing, HR…). As seen in figure 14, classifying developers according to the structure of their companies and building activities yields to 4 categories of developers in Tariq el-Jdide (see fig 14).

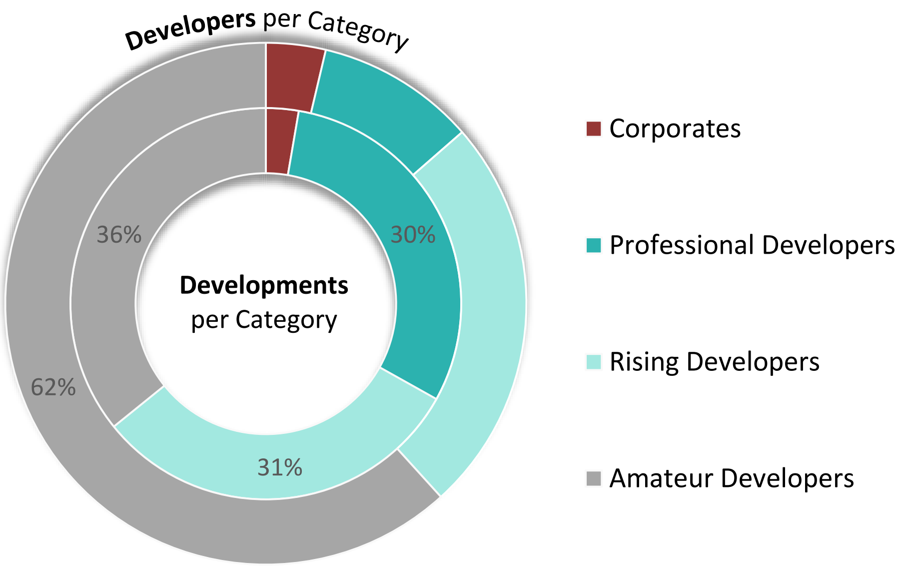


Figure 14: Number of developers and developments per category, *Source: by author through the BBD 2019*

It is obvious from the graph that the largest group of developers is amateur developers. These developers are individuals who built only 1 or 2 buildings in TJ. They represent 62% of developers, yet build only 31% of TJ's residential projects. In other words, about 1/3 of the building in TJ are built by individuals who do a one-time shot. Only three companies operating in the studied neighborhood demonstrate a professional practice through corporate structures, including one bank and two corporates who develop on a regional/international scale. Although they are responsible for a very small number of developments in these neighborhoods –making them unrepresentative of development processes in the studied neighborhood- they are very important to document because they build large residential complexes, including a complex that has over 140 apartments, which is around 8% of all new apartments in TJ. These developers also spend more on the quality of the building and use tower cranes during the construction phase, which shows higher financial capability.

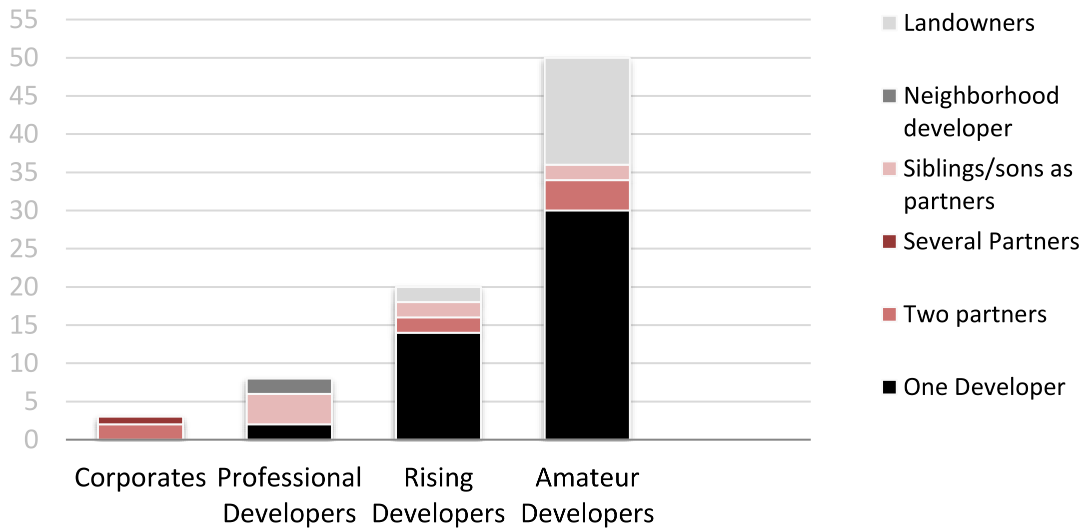


Figure 15: Institutional structure per category, *Source: by author through the BBD 2019*

These corporates are: (1) Bank: which involves Al-Mawarid Bank as a developer masking a coalition of 9 investors, (2) Foreign Corporates which includes two corporates with regional/international building activity. One of them focuses on building in Saudi Arabia, while the other builds mainly in Turkey.

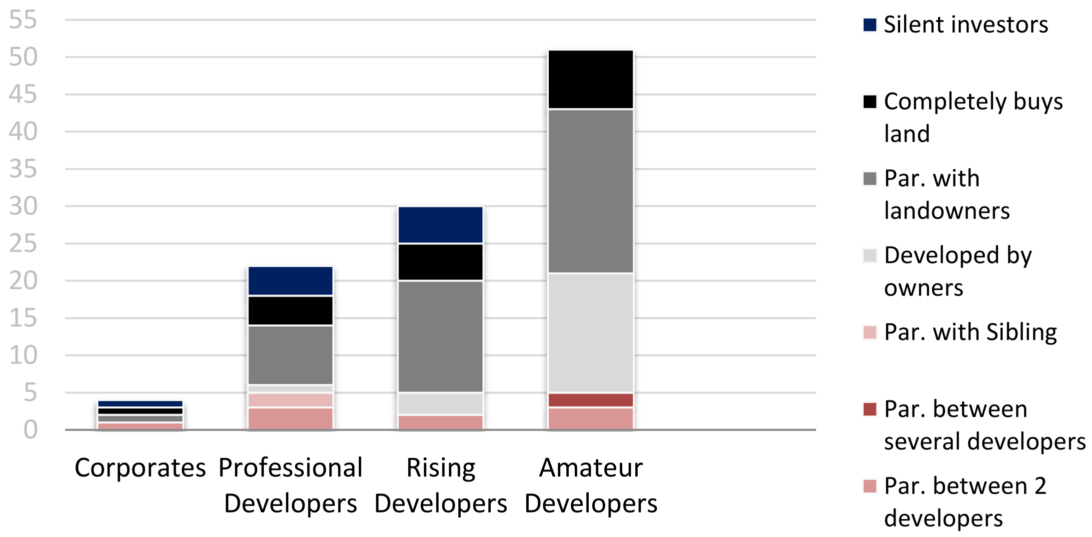


Figure 16: Mechanism of development per category, *Source: by author through the BBD 2019*

The Shams Beirut project, developed by Al-Mawarid Bank, includes several silent investors who bought land (see fig 15 & 16), while both foreign corporates relied on partnerships with neighborhood developers and landowners as an entry point to the neighborhoods' real-estate market. This allows them to appear less harmful when dealing with tenants and neighborhood dwellers especially since the developers rarely visit the country. The developers' role in these cases oscillates between that of an investors and that of a classic developer.

Family businesses represent the most common structure of building development. The category lumps together developments of diverse scales however differs drastically from one business to another, meaning that one family business might have only three developments, while others have built over 40 buildings in Beirut. Family businesses are divided into 2 categories according to their company structure and scale: (1) Professional Developers: They are professionals who built between 10 to 50 building in Beirut yet have less than 10 employees and rely on family connections within the institution, and (2) Rising Developers: Those who are following the footsteps of professional family business, and built between 3 to 10 buildings in Beirut. The amateur developers, as mentioned earlier, have built only 1 or 2 buildings. They are individuals, landowners, or small business owners who saw a lucrative in the market and built for a very short period of time.

The number of developments is almost equally distributed across professional developers, rising developers, and amateur developers (around 30% for each category). There is however a slight advantage for amateur developers, particularly those who were not originally landowners. In other words, new developers who only built 1 or 2 buildings so far represent the largest category among developers. Both amateur and rising developers rely mainly on partnerships with landowners as a main mechanism of development, followed by a complete acquisition of land (see fig 15 and 16). Partnerships with other developers and sibling are very few in this category and silent investors do not invest at all in amateur developers' projects. As the family business grows and developers become more professional (from amateur, to rising, then professional), silent investors start financing their projects, which makes developers rely less on partnerships with landowners and more on partnerships with other developers and siblings. In other words, the more the developer builds, the more likely he is to attract silent investors and other developers, and the less likely he is to partner with landowners. Professional developers are also less likely to work alone and only involve family members into the business (e.g. siblings, sons, in-laws).

2. Personal and Professional Background

Most developers of Tariq el-Jdide are not trained as architects or engineers (63%). This percentage however differs with respect to time and category of developers (see fig 17 and 18). Developers who started building before 1995 were mainly architects or engineers registered in the Order of Engineers and Architects, and are professional developers. Some of them are also referred to as “neighborhood developers” since they were raised in Tariq el-Jdide. This professionalization seems to be an important trend for older developers who were not educated themselves in the profession (butcher and electric appliance storeowner) and have been joined by sons and daughters who acquired degrees in architecture or engineering. This is still less informative about older developers who stopped building by 1995, since this would require further research on the history of developers which falls outside the scope of this thesis.

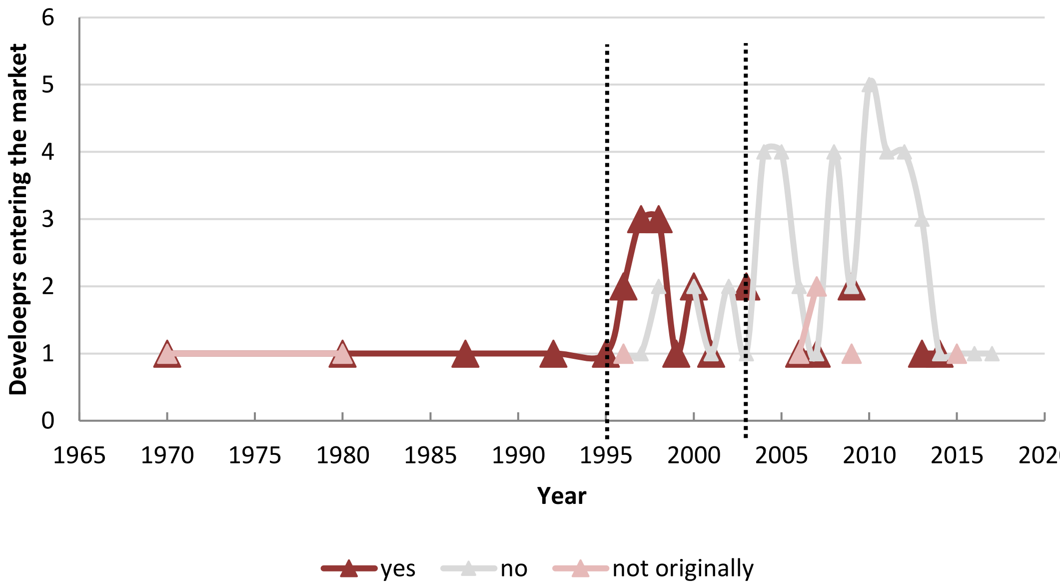


Figure 17: Architects and Engineers entering the market, *Source: by author through the BBD 2019*

Between 1995 and 2004, developers who are not architects or engineers started entering the market. During the same period, particularly in the year 1997 and 1998, a boom in architects and engineers entering the market can also be observed. The developers who entered during this period were either rising or amateur developers, including landowners who started developing their own land.

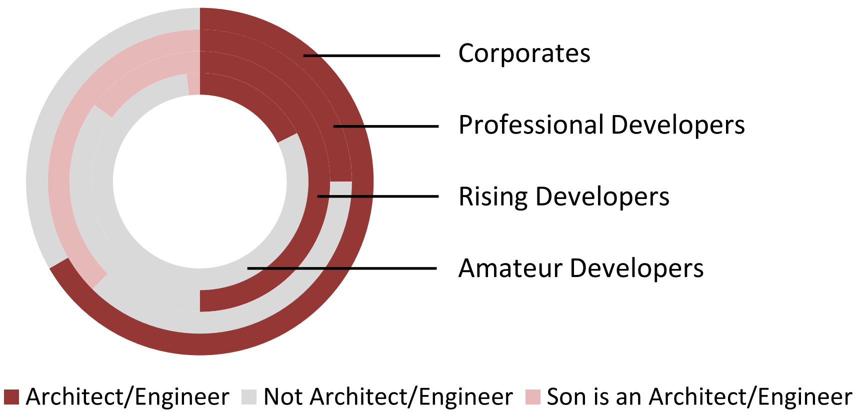


Figure 18: Architects and Engineers per category, *Source: by author through the BBD 2019*

After 2004, most developers entering the market were not architects or engineers. This can be discussed further in relation to the amendments in the building law in 2004 in Chapter 5. A small percentage of these amateur developers also believe this professionalization to be an important trend since their sons and daughters acquired degrees in architecture or engineering. It is likely that developers encourage their children to become architects/engineers so they can cut on the cost of their services and benefit more from their knowledge on how to use the existing building codes to maximize profit. Most of these developers are traders for a wide variety of products ranging from clothing to furniture and food. The capital used in development is mainly profit generated from these trades. These developers expressed interest in real-estate development since it generates more money than their initial businesses.

Most of the developers, especially professional developers, do not come from a well-off background and are not elite. Many grew up in Tariq el-Jdide and saved money to enter the real-estate profession. Developers also like to talk about their struggles as they describe their very first development process, and how much they hated being employees especially in cases where the developer is an architect/engineer. The developer in these cases used to work as an architect for an older developer and decided to start their own business since they learned the profession while observing their old employers (see fig 19). Hassan Jaber[7] describes his experience as follows:

> *I decided to go beyond design and have shares in the project so I sold my mother's jewelry and combined this money to what I had saved. My parents trusted me a lot... I am against anyone saving money without investing. You have to be involved and work freely. Being an employee is bad.*[8]

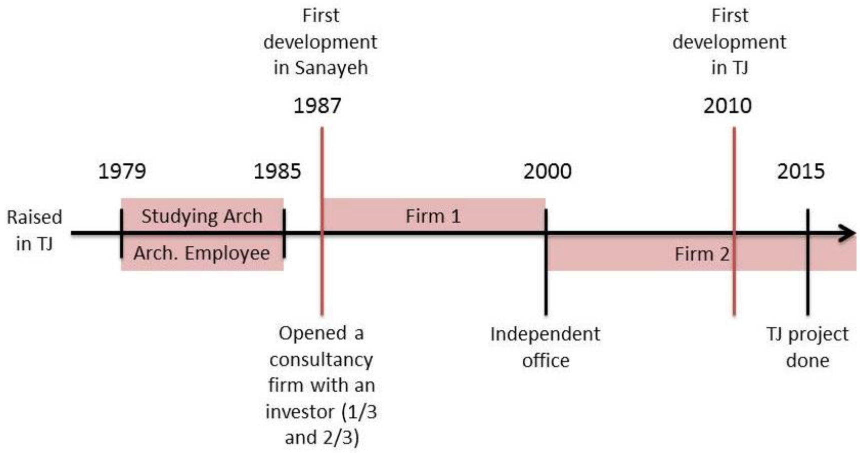


Figure 19: Timeline of Hassan Jaber, *Source: by author 2019*

---

[7] I used fake names to protect the privacy of the interviewed developers
[8] Interview held with a rising developer on August 2018 in his consultancy firm office

On a personal level, most developers of TJ were residents of TJ itself. Those who usually move out of TJ express resentment towards the neighborhood, while those who still live there reject any negative representation of TJ and its buildings. Those who express resentment, usually do so because of its popularity, mixity in terms of nationality, and uniform sectarian aspect. They prefer moving to higher-end neighborhoods once they are financially capable of doing so. One of the examples of areas they like to move to is Hamra due to its sectarian mixity. Staying in TJ is usually linked to the religious and social practices which developers are used to, such as going to a certain mosque or staying close to family. Preserving a developer's identity as the "neighborhood developer" would be the second reason behind staying in TJ.

3. *Social Networks and Sectarian Groups*

In order to organize their operations, few developers have recently formed organizations such as the International Group of Economic Policy Developers (IGEPD)[9]. IGEPD is a regional organization formed of developers who aim to learn from each other's experiences. The group was co-established in 2017 by one of Tariq el-Jdide's professional developers[10]. It is Turkish-based, and spreads its connections across Arab Countries, including Lebanon, Egypt, and Palestine (see fig 21). As seen in the website, this organization is very active and holds meetings on regular basis. It was clear from the Turkish flag in the developer's office, and the website, that the organization follows the same leadership of president Erdogan. The developer however said that they prefer focusing on Erdogan's economic growth strategies rather than his religious ideologies, although he did not completely eliminate the religious admiration toward Erdogan. Moreover, this developer focuses on connecting with local politicians, mainly the

---

[9] Check https://igepd-press.com

[10] Interview held with Waref Saleme on January 2019 in his office located in TJ.

Future movement, which was evident from his WhatsApp profile picture and Facebook public posts (see fig 20).

Figure 21: IGEPD countries, *Source: IGEPD brochure*

Figure 20: Developer Saleme next to Saad Hariri, *Source: Developer's Whatsapp photo 2019*

It is worth pointing out that none of Tariq el-Jdide's developers belongs to REDAL (The Real Estate Developers Association of Lebanon), which is a more high-end Lebanese association (see fig 22). This real-estate development association was also newly established to advocate for "the advancement of the real estate "industry""[11].

Akaria
Antonios Projects
Bakish Touristic
Beit Misk
Benchmark
Bissat International
CGI Saradar
Estates
FFA Real Estate
Har Properties
HEC
Majid Al-Futtaim
Masharii
Mercury
Plus Properties
Premium Projects
PrimeConsult
TDHC
Trillium Developments

Figure 22: Members of REDAL, *Source: REDAL website*

Relying on political connections was also traced in another developer, Omar Srouji, as highlighted in the stories of developers' connections below, yet it is less of a trend among all developers of TJ who rely on their personal social connections. These personal social connections are main strategies in cases of land acquisition and marketing. Since most developers were

[11] As per their mission mentioned in their website http://www.redal.org.lb/about-redal

neighborhood residents themselves, many of the landowners are their friends and relatives. This is how the first development processes occurs in all categories of developers. When developers no longer find relatives and friends who would like to sell their land, developers start relying on brokers. Brokers visit most developers and tell them about potential land for development. Brokers do not focus on dealing with a certain group of developers. They spread the word and wait for developers to come back hunting for a piece of land. It is a first come first serve process, which requires further investigation. In cases where developers do not have relations with neighborhood brokers and are not residents of TJ, they rely on partnerships with other developers as a discrete way of gaining popularity, before they move on to developing on their own.

These interactions and partnerships were traced as networks between developers (see fig 23, 24, 25, 26). They exist between all categories and are (in most cases) indirectly linked to political and religious institutions in the neighborhood. The role of these institutions is only a means of attracting clients, and less of a decision-making role. They also indirectly invest in these projects which can affect where these developers build and to what extent. Family relations are the strongest component since developers mainly partner with their siblings. The below diagrams shows that the more professional a developer is, the less likely they are to use partnerships. This also depends on the stage at which the developer is active. They start partnering in the beginning and become independent once they have enough experience and liquidity.

The main professional developer who built more than 40 buildings in Beirut is Mahmoud Hajjar, an architect who relies on his siblings as investors. His brother Adel develops mainly in Ras Nabaa and invests in Mahmoud's projects. The other two siblings have other professions but invest in these developments. Although this network indicates a strong connection between siblings, it shows less trust in other actors of the market and vice versa.

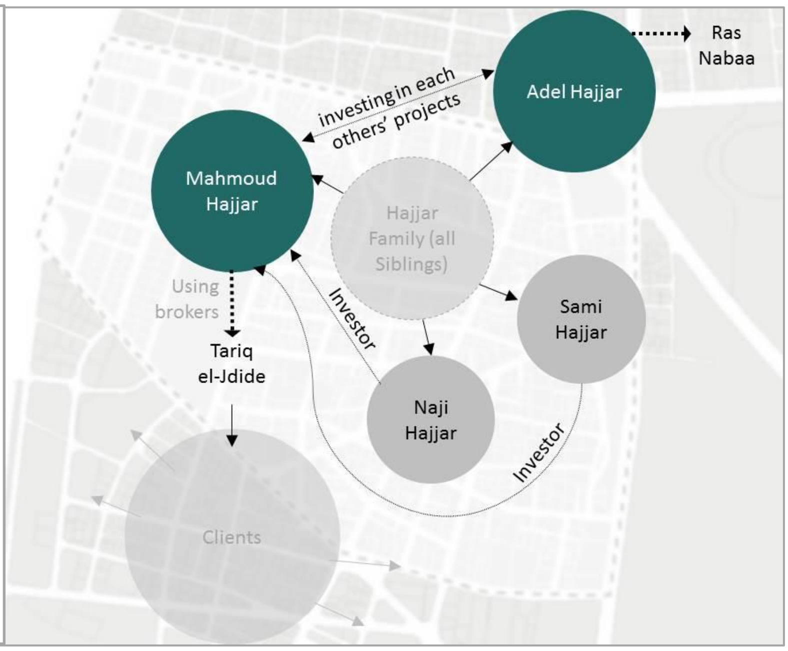


Figure 23: Network of a professional developer, , *Source: By Author through the Beirut Building Database 2019*

Mahmoud and Kamal Al-Joundi are"neighborhood developers" and old engineers. Jalal, a well-known contractor has major political affiliations, builds in TJ through his cousin, Mahmoud.. The Ghlaini siblings rely on their network of religious institution to attract clients, and Al-Joundi family to minimize risk and gain popularity in the neighborhood since they were never residents of TJ.

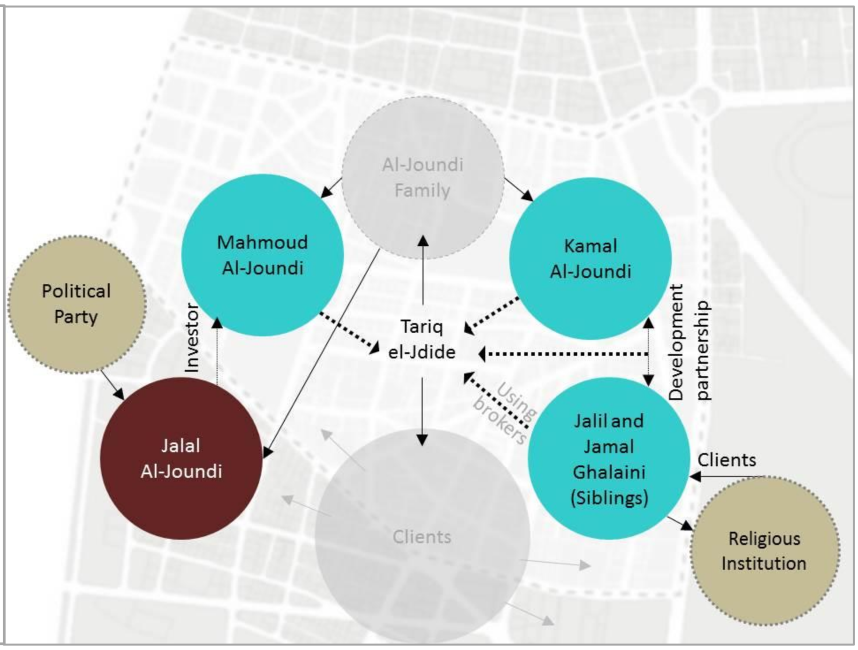


Figure 24: Network of several professional developers, *Source: By Author through the Beirut Building Database 2019*

Rising developers have the most complex networks since they are not strong enough to develop on their own. As seen in fig 25, one of these networks is also linked to a corporate who builds mainly in Saudi Arabia.

Srouji is a neighborhood developer, Al-ajami is a Saudi-based corporate owner, and Yamout is a rising developer. All three developers are main actors in TJ's reported fraud schemes. Al Ajaimi and Yamout never subdivided the buildings, so residents who used forward payment did not get their fair share out of the agreements. These residents have struggled for years through court trying to register their properties, knowing that these trials had an estimated cost higher than the apartment's value. The same dilemma is repeated through the Yamout and Srouji company. A new building was not subdivided, yet the developers are more open about it during their advertisements saying they don't have official records, but residents will obtain them at a lower market price.

Regardless of the lower price, the apartments have not been sold because target clients seem to prefer property registration cheap apartments. Another new strategy of fraud caused by the same company is through a restoration claim aiming to evict old tenants who do not agree to buy their apartments. In cases where tenants agree to buy the apartments, developers tend to sell the same apartment to a new resident, causing a conflict in registration and consequently fraud. These practices can be perceived as a new form of informality that infiltrates in a formal housing market.

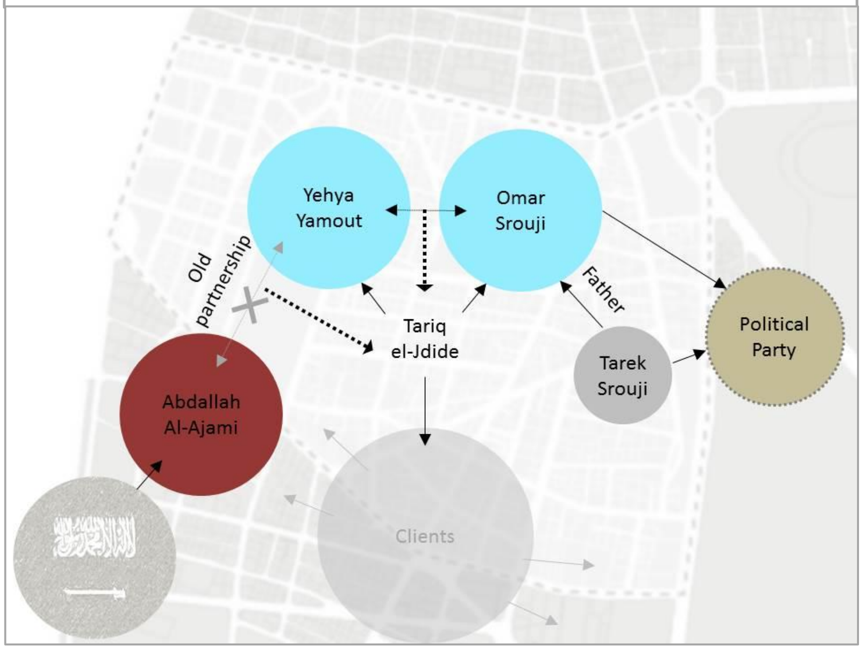


Figure 25: Network of rising developers and a foreign corporate, *Source: By Author through the Beirut Building Database 2019*

According to figure 26, a network was traced between developers, is a network of three rising developers who are colleagues in another profession, and a fourth developer who has connections with one of them through a religious institution. Each of the colleagues has a different source of finance yet all three partner with landowners.

One of developer's entry points to TJ was through his wife Lama. Elie, who converted to Islam, is an active member of a religious institution. Mahmoud Hamandi is also a board member in the institution and they both are working on designing and developing the institution's future complex. This religious intuition has no political affiliations since it follows the rules of Sufism and Islamic mysticism. Its impact on the development process is linked more to client attraction than political agendas.

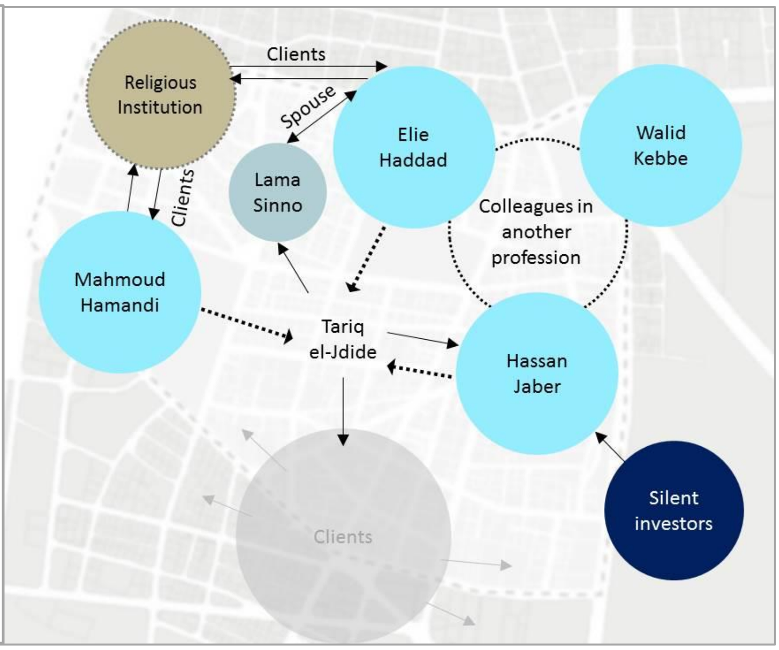


Figure 26: Network of four rising developers, *Source: By Author through the Beirut Building Database 2019*

Social networks between banks and developers of TJ do not exist. Banks do however try to advertise for housing loans through developers. They visit developers every now and then and tell them about new facilities and promotions. Developers usually trust the bank where they first deposited their money. They have also met the manager of the bank, but this is the highest level of interaction between them. Developers sometimes attend events organized by banks, yet these networks have an insignificant impact on the housing market.

In terms of sectarian groups, only one out of 82 developers does not belong to the Muslim Sunni community. This can be traced through their family names and from dweller anecdotes. Their clients are also mostly Muslim Sunni since the neighborhood's social and political networks attract these clients. Developers also claim that an apartment which is sold to Muslim Shiites will ruin the whole building since no one will want to live there anymore. Most developers disagree with these discriminatory interpretations, and claim that they cannot control how people think and what they choose, which makes them conform to what the majority of the clients want. These principles can also be imposed by landowners who plan to move back into the building. This is how most clients are being selected in a market like TJ. In one case only, the developer expressed hatred towards Muslim Shiites, saying that we should prevent the Muslim Shiite expansion from growing further, and one of the ways in which he prevents it, is by paying Zakat in the form of apartments to people who are Muslim Sunnis and more specifically, old Beirutis. Section B will further explain how this homogeneity of sectarian groups affects where developers build on a neighborhood and city scale.

4. Years of Activity

The years of activity of developers are studied according to when a developer first entered the real-estate market. The mapping reflects years of entry but it is difficult to trace exits since it is unclear whether developers are only waiting for the end of the current recession or they have permanently left the market. According to figure 27, the number of developers entering the real-estate market of TJ had its first boom in 1996 with 4 developers entering the market at once. At first glance, this boom does not comply with the 1996 recession period of most neighborhoods of Beirut. It also continued to fluctuate till 2004 and became steady till 2011. In 2011, the number of developers entering the market dropped slowly which follows the current claims of the market being in recession period, unlike the observation of 1996. This contradiction can be explained in relation to *who* is entering the market of TJ during these periods.

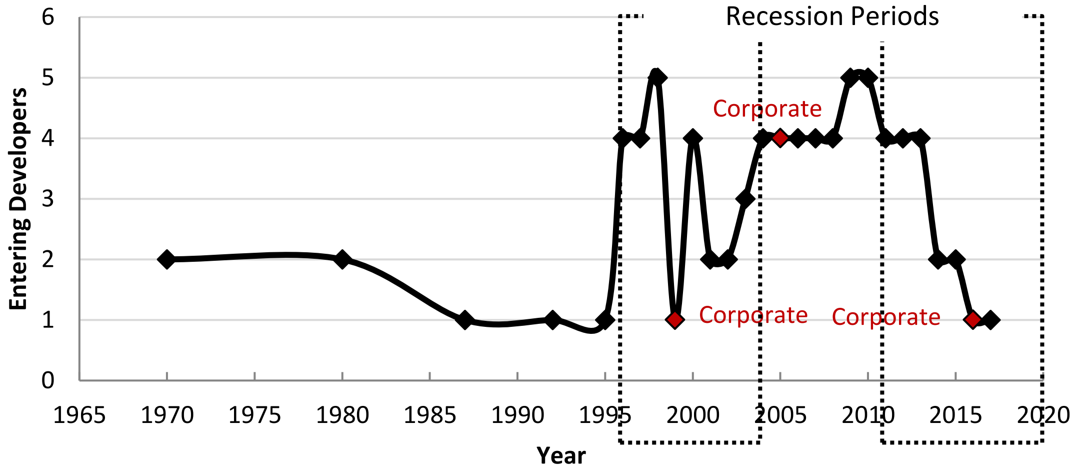


Figure 27: Number of developers entering the market, *Source: by author through the BBD 2019*

In 1999 the Saudi corporate developer entered the market, while the Turkish-based developer entered in 2016. I believe the Turkish-based developer started building in TJ since there is an economic crisis in Turkey, and since the value of the Turkish Lira dropped significantly during the past couple of years. Although the Lebanese market is also in recession, the developer is of Palestinian origin and was raised in Lebanon, which explains his choice of TJ as a market that replaces Turkey, re-emphasizing the role of social networks in the selection of development areas. In 2005, the bank corporate entered the market, although little is known about whether or not this company built before or after the Shams Beirut project. This is the case of many corporate strategies that create a new company every time they build since the number of investors is so high that their coalition is not very stable. It is also possible that a new name makes them less detectable and minimizes property taxation.

In figure 28, the number of developers entering the market is divided per their corresponding categories in order to understand why the aforementioned contradictions occurred during recession periods.

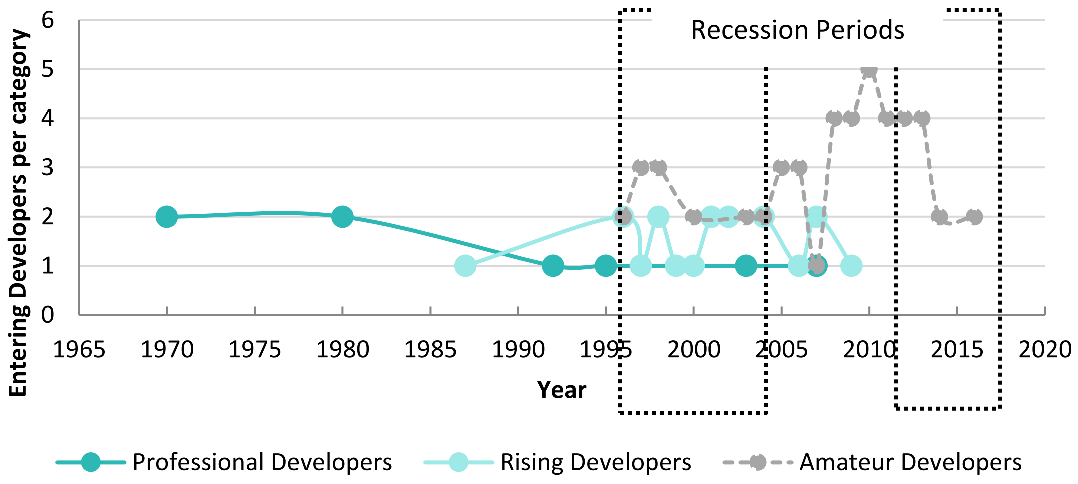


Figure 28: Number of developers entering the market per category, *Source: by author through the BBD 2019*

Professional developers started building between 1970 and 1995, with only one rising developer building in 1987. Amateur developers did not develop back then. This period is when the market was very active after the Lebanese civil war.

1996 till 2004 was the first recession period. During this period, only one professional developer entered the market (2003). Rising developers were very active, and amateur developers boomed for the first time in 1998. This was a new trend in developers which goes in line with the previously mentioned professionalization of non-architects or engineers.

Between 2004 and 2011, less rising developers entered the market, while the number of amateur developers increased; knowing that at least one amateur developer was entering the market each year.

Between 2011 and 2016, which is the second claimed recession period, amateur developers were mostly active, with a peak of 5 developers entering in 2010. The number of professional developers entering the market on the other hand decline. 2017 and 2018 did not record any developer entering the market of TJ.

In sum, amateur and rising developers enter the real-estate market at a later phase, mainly during recession periods, in an attempt to imitate professional developers. Moreover, developers who entered the real-estate market outside recession periods were more likely to sustain their businesses and continued to grow enough to have professional family businesses. Developers who enter the market during recession periods fail to sustain their businesses since their profit was not that of great value, which is why they were referred to as rising developers and amateurs. Finally, landowners develop their own land in times where the real-estate market is in stagnation, since professional developers are less active and consequently not partnering with landowners which forces them to develop their own land especially in cases were landowners are more concerned about moving back to the building with their children and less concerned about profit generated from their apartments.

B. Geographic Mapping of Tariq el-Jdide Developers

There is a strong relation between the profiling and categorization of developers, and the areas in which they build. These differences are traced at a neighborhood and city scale.

1. *Neighborhood Scale*

Figure 29: Distribution of developers at a neighborhood scale, *Source: by author through the BBD 2019*

On a neighborhood scale, corporates, and professional developers build in specific zones. As seen in figure 29, corporates build at the edges of TJ (Zone A). These edges are the only areas which are likely not considered as part of TJ to some developers and city dwellers. At the eastern side, zone A is considered part of Horsh Beirut, which overlooks a public park and is more expensive than the internal areas of TJ. On the western side, zone A is considered to be part of Cola intersection which is an informal transportation hub that attracts thousands of people coming from the South to Beirut and vice versa. This proximity to the hub gives this edge less of a homogeneous identity than the inner TJ area. At the southern edge, zone A starts to blend in the interior sub-neighborhoods of TJ while still maintaining its location next to an edge caused by the cemeteries of Kaskas neighborhood. The developers of zones A, do not belong at all to the homogenous group of developers discussed in the previous section. They are the only developers who are not Muslim Sunnis, not Lebanese, or unknown investors. This shows the extent to which a developer who does not belong to a certain group, can enter the market of a neighborhood like TJ.

Zones B, are the areas where professional developers build. This is directly linked to the price map of TJ which is in turn linked to the proximity to main arteries, open spaces, connectivity of the neighborhoods, and the planned lot structure. They are also affected by the proximity to certain services such as schools and hospitals in TJ. Zones B also overlap with sub-neighborhoods where political and religious institutions have offices. It also overlaps with sub-neighborhoods that have more clashes and checkpoints. This however, keeps the sub-neighborhoods within the same range of pricing while maintaining a relatively higher price. A recent study also shows that real-estate prices in Lebanon are not monitored, which allows professional developers of this zone to maintain its high price since they have networks among each other as mentioned in section A.3. Zone B also looks very similar to the western side of zone C which has been spared so far. The lack of investment in this sub-neighborhood is due to the historical timeline of the neighborhood itself. This area was urbanized during the 1970s which is less appealing to developers since it is less profitable for them to demolish a 70s. Developers however have recently become more attracted to 70s buildings since older ones have almost completely been demolished. It does however raise the issue of applying restrictions, or at least resist policies of future incentives for developers to demolish 1970s buildings.

Amateur and Rising developers spread all over Zones C and B of TJ, except for Afif el-Tibeh which is the spared sub-neighborhood.

In conclusion, developers who do not belong to the homogenous sectarian profile of developers, might build at its edges, while professional developers of TJ who share a similar profile: Muslim Sunni Lebanese developers with strong sectarian affiliations, target sub-neighborhoods that are more expensive than others.

2. City Scale

On a city scale, foreign corporates only built in TJ and in Beirut suburbs (see fig 30). Most amateurs built only in TJ, while professional and rising developers build (1) all over Beirut and (2) all over Beirut but mainly in TJ.

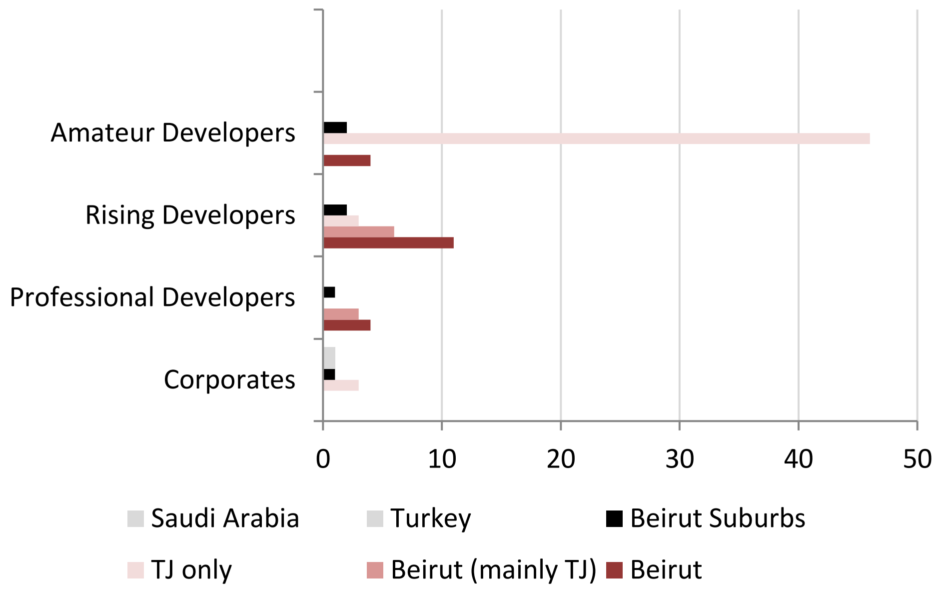


Figure 30: Developers' activities at a city and national scale, Source: by author through the BBD 2019

In figure 31, I examine this distribution further into the exact location of these developments along the neighborhoods of Beirut and its suburbs. There is a strikingly clear concentration in zone 1, while zones 2, 3, and 4 have been spared.

Zone 2 is sometimes referred to as eastern Beirut, which is characterized as a part of Beirut that includes Christian neighborhoods. This characterization is a result of Beirut’s civil war, and continues to echo in its housing and real-estate market, as highlighted in the distribution of developers’ activities.

Zone 4, although falls in western Beirut, is much more expensive than zone 1. It is more expensive since it includes Solidere and Beirut’s costal edges, making it less accessible to developers of neighborhoods that are similar to TJ.

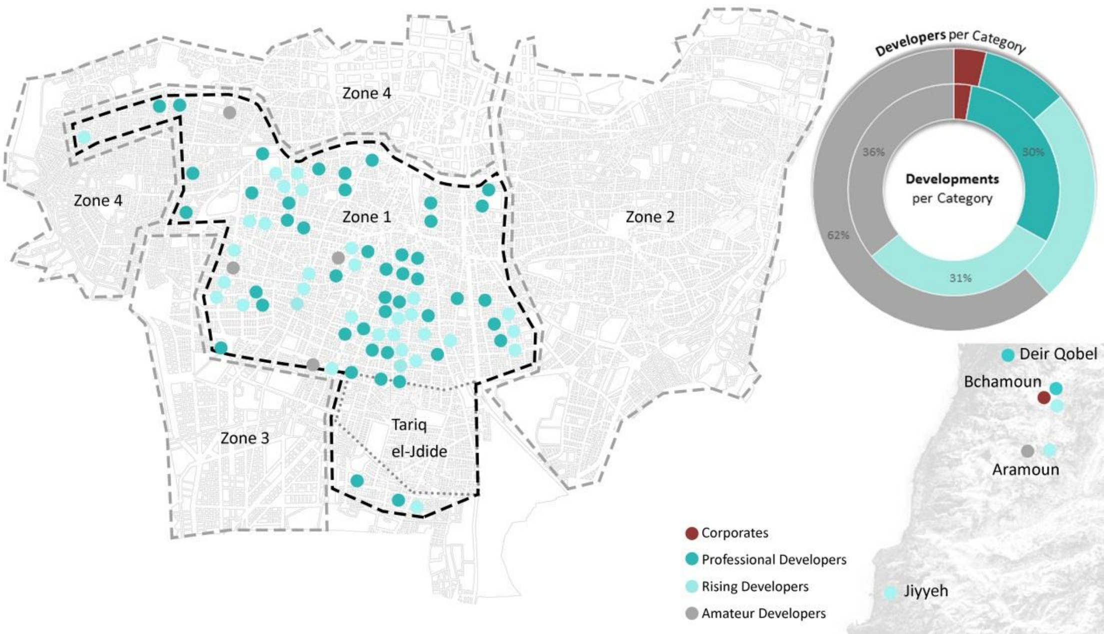


Figure 31: Locating developers in Beirut's neighborhoods and its suburbs, *Source: by author through the BBD 2019*

Zone 3, has both sect and class differences with zone 1. This zone includes Bir Hassan and Ain el-Tineh, which are characterized as Muslim Shiite high-end neighborhoods.

At the level of Beirut suburbs, developers build in areas that are known as Muslim Sunni suburbs, such as Bchamoun and Aramoun, which brings again the lens of sect and class when mapping developers' activities.

This mapping shows that sect and class differences significantly affect the neighborhoods where developers build, and shows the impact of the civil war on the housing market of Greater Beirut. These developers also attract the same clients which makes them reproduce sectarianism through these activities.

CHAPTER IV

BANKING FINANCE: MYTH OR REALITY?

How are bank loans affecting housing production and consumption in Tariq el-Jdide? In other words, how is the financialization manifested in building activities in this neighborhood? Is real-estate development in TJ dependent on banking finance? Is it true, as sometimes claimed by researchers (Marot 2018, Krijnen 2016) and by the press, that finance is an essential driver of a system that feeds capitalist developers in Beirut? How do these financial networks materialize? Who do they affect and how?

In this chapter, I argue that bank loans' impacts on housing acquisition and developer activities in low to middle-income neighborhoods of Beirut is more modest than argued by other scholars who have made the financialization argument (Marot 2018, Krijnen 2016). Through the case of Tariq el-Jdide, I show that bank loans have barely assisted developers in capitalizing on housing and the real-estate market, from both the production and consumption sides. Rather, I show that despite distinctions between professional and amateur developers, they all typically rely on forward payment as a main financing mechanism, eventually transferring substantial sections of their risks to homebuyers.

The chapter is divided into three sections: (1) Minimizing Risk over Maximizing Profit: Developers' Financing Mechanisms in Tariq el-Jdide (2) Mapping the Impact of PCH Subsidized Housing Loans (3) The Importance of Morality as a Guide for Behavior in the Selection of Housing Loans. Each section traces the impact of a different type of loans on the built environment. The sources used throughout the analysis of each section are interviews with real-estate developers and residents, data collected from the Public Corporation for Housing, interviews with residents, and data collected from two out of four Islamic banks that provide housing loans.

A. Minimizing Risk over Maximizing Profit: Developers' Financing Mechanisms in Tariq el-Jdide

This section outlines the financing mechanisms that various groups of developers have relied on in TJ between 1996 and 2018. It shows that real-estate developers in TJ do not rely on construction banks loans as a financing mechanism. Instead, developers rely on self-financing and forward payments by preselling apartments on the map before the actual development of a building.

1. Construction Bank Loans

Regardless of the increasing number of developers entering the real-estate market every year, almost none of the interviewed developers had relied on construction loans as a financing mechanism. Only one developer reported securing construction loans, knowing that these loans were not used to finance his first development. Developers in Tariq el-Jdide generally believe that construction loans put them at a higher risk, which they would rather not be exposed to. They prefer minimizing risk over maximizing profit, and would rather stick to building in lower-income neighborhoods than high-income neighborhoods even if they have the financial capability to do so, and even if this generates more profit. This is how Hassan Jaber, a rising developer, explained the way he weighs risks:

> *The worst thing a developer can do is to use bank loans. If he doesn't have enough money, the interest rate will "eat" him up. The bank will "eat" him*

up (البنك بياكلو). If anyone doesn't have enough money, they should not go to banks, unless they desperately need a loan for basic needs.[12]

Speaking of another developer, Mahmoud Halwani, who relies on loans occasionally to support his activities, Jaber further described bank loans as a potentially addictive drug:

> *The bank is the worst institution. It's like morphine, you can get addicted to it. I might help someone who needs such support but I never use it myself.*

Others spoke of their reluctance to use bank loans, bragging that they had predicted the current bankruptcy of developers who had lost their developments because they couldn't pay back the loans over the past few years. This reluctance to use bank loans indicates the importance of giving further scrutiny to the claims made in favor of bank loans that are typically described as enabling market entry to middle-income developers. It was indeed clear from the cases that these developers were distrustful of banks. To them, avoiding construction loans is a risk management strategy, since they are aware that they do not possess sufficient social or political capital to prevent a bank taking if they are unable to pay their debts on time. This reflects a willingness to pass on the risks to their clients and forego some of the profits rather than defaulting on a bank loan and losing their entire investments. In this equation, however, it is clear that more risk is carried by perhaps unwilling clients who would otherwise be unable to purchase a home. It points to a larger vulnerability of home seekers in the city, including tenants who struggle with evictions on daily basis, with an increasing risk since the announcement of the new rent law in 2014 (Public Works 2017).

[12] Interview held with a rising developer on August 2018 in his office.

2. *Self-financing Developments, Forward Payment, and Reputation*

Instead of acquiring construction bank loans, developers use other financing schemes for real-estate development. The developers' main financing scheme is through forward payment, commonly known as preselling on the map through direct installments. This strategy seemed very common among family business developers of Tariq el-Jdide (see fig 33). Regardless of the category they belong to, almost all developers start financing their projects using this scheme. In figure 33, 79% of new buildings had at least one apartment presold on the map. Moreover, while surveying new developments, some

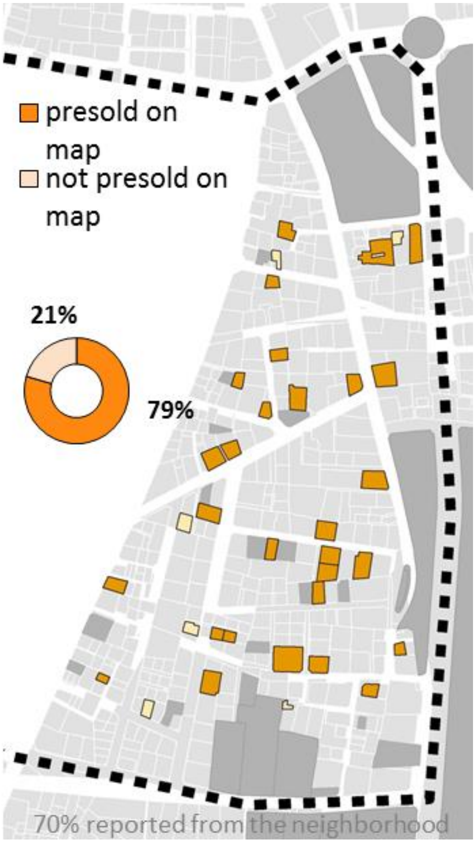


Figure 33: Presold apartments on the map, *Source: By Author through the Beirut Building Database 2018*

Figure 32: Building completely presold on the map

under construction buildings seem to have been completely presold on the map (see figure 33).

One example is highlighted in the story of the building in figure 329. The developer of this building has an office in the same neighborhood and is known to be the "neighborhood developer". This gives him more credibility and attracts many clients since he relies on social networks in the neighborhood. He was born there and refuses any form of criticism towards the people, environment, and buildings of Tariq el-Jdide.

Another young developer who recently entered the market also relied on his friends and relatives as clients and partnered with landowners once he had enough money secured from his clients. This indicates that even new amateur developers are following the same strategies of professional developers who rely on their social networks to attract clients and finance their developments.

Besides networking, the credibility and reputation of the developer seem to be essential since almost all interviewed developers said that *honesty* (which they referred to as المصداقيةin Arabic) is the most important lesson they would pass on to their children if they want to become real-estate developers. On the long run, relatives and friends of former clients buy from the developer. Developer Shadi Issa, who has a very limited network, put it this way:

> *Development it is a gift from God and we only rely on our reputation. When a customer is happy with his apartment, this becomes your advertisement. If you deceive a customer, there is no way he would tell the people around him to buy from you. Most of our customers tell the people they know to buy from us and that is how things work…*[13]

[13] Interview with a rising developer on December 2018 in his office.

This snowballing technique relies on reputation since developers become keener on delivering on time. According to the interviews, *timing* and the *quality of finishing* are very much related to the credibility and reputation of the developer.

This self-financing mechanism is a major stepping stone to TJ's real-estate developers. Many interviewed residents also mention their choice of residence based on the reputation of the developer that is very much linked to networking as most of them say: "*This developer is very well-known".* Describing developers as "well-known" was unpredictable in the case of Tariq el-Jdide since most developers do not advertise for their projects and you can rarely find online websites as marketing strategies.

The only developer who did not mention *honesty* as a lesson to pass on was a developer involved in several fraud schemes. Instead, this developer dwelled during the course of the interview that the key to success is 'deceiving clients' into believing they 'won' and 'secured an excellent deal' limiting his profit when, in reality, he knew he had not won. In an earlier phase, this developer relied on political alliances and neighborhood leadership for client attraction. Regardless of his strong political and social connections, interviews in the neighborhood showed that people now refrain from buying from him due to his bad reputation, particularly the knowledge that the buildings he had previously developed ultimately lacked full legality. This illegality is also revealed in the environmental characteristics of the buildings he has developed that were collected in the BBD: his projects are not connected to the water infrastructure and the number of unsold apartments in his buildings is relatively high compared to other buildings completed the same year. Due to this fraud scheme and current bad reputation, this developer is looking for new ways to generate profit from the built environment by scamming residents of old buildings into granting him full commission rights (*Wekala*s/وكالات) with claims of renovation.

As a conclusion, self-financing indeed relies on networks of social relations that can secure the needed ingredient for the transaction to happen, particularly as rumors of developers defaulting on building construction abounded in Beirut in several occasions. As a result, developers well rooted in Tariq el-Jdide, find it easier to secure the *trust* in this neighborhood than in other, more upscale yet more impersonal neighborhoods where both developers and clients are less connected. Consequently, professional developers use TJ as the base where they can secure the initial investments they can then place in more lucrative yet harder to penetrate neighborhoods:

> *Sometimes we use our work in TJ (he means the profit generated from TJ projects) to finalize projects in other areas, because you don't easily find clients in areas like Verdun and Sakye unlike TJ.*[14]

3. Other Financing Mechanisms: Partnerships, Networking and Traders

> *A Developer should either have **big investors**, or he would be **continuing his father's work**. Big ones already have lots of money while small developers start on their own. They get **support from their friends** and so on. For example, a piece of land might require a certain amount of money knowing that we are **3-4 people**. We all work on developing this project. In some cases we **partner with landowners**. In other cases we ask our friends if they want to invest in these projects.*

This quote summarizes the four mechanisms of finance which developers use in TJ besides forward payment. Other than self-financing developments, TJ developers use

[14] Interview held with a professional developer, Mahmoud Hajjar on September 2018 in his office.

the following financing mechanisms for their projects: (1) Partnering with landowners (2) Partnering with other developers (3) Liquidity from silent investors (4) Liquidity from other trades.

As mentioned in Chapter 3, mechanisms of development vary between developer categories. These mechanisms reflect the financial mechanisms of real-estate developers. Partnerships with landowners and other developers are very common among developers of TJ. These partnerships reduce the risk of development since more than one person/entity will cover the costs and losses. Liquidity from silent investors and other trades are also very common among developers in TJ. As mentioned earlier, professional developers get liquidity from silent investors since they build on the networks they have with businessmen.

Figure 34: Residential project in TJ

> *I don't finance projects myself, I study the land first, and the project finances itself. I only put in a small amount of cash. In other cases, I know people who buy shares in the project and they don't even meet each other.*[15]

Amateur developers use liquidity generated from their other professions. Some of these professions are wholesale clothes trading in Afif el-Tibe, currency exchange service in Hamra, old furniture gallery owner in Hamra…etc. These amateur developers claim very few networks in TJ, which is highlighted in the locations of their trades. Some of them have very limited knowledge of the typology of new buildings in TJ as seen in one of them (see fig 34) which is made up of 75 rent-based semi-furnished studios with high-end exterior finishing, high security and fencing, and fully-equipped kitchens. The developer of this project believes this is a great opportunity for newly-wed couples who cannot afford to buy an apartment. Nevertheless, it looks a lot like the dormitories around Hamra where he lives and owns his currency exchange business.

In conclusion, professional developers were able to expand their practices by building on their social networks which allowed them to partner with landowners, other developers, and attract silent investors. Amateur developers, who try to imitate these developers, tend to rely more on liquidity generated from other trades. They still however lack knowledge especially in the field of networking which professional TJ developers rely on. This is also linked to the professionalization of developers since amateur ones are neither architects nor engineers.

B. Mapping the Impact of PCH Subsidized Housing Loans

Subsidized housing loans provided through the Public Corporation for Housing are increasingly becoming the most critical and controversial ingredient of the

[15] Interview with Issa and Sakr developers held on December 2018 in their office located at the edge of TJ.

financialization of the built environment in Lebanon. In 2014, clashes between banks and the PCH were ignited after the latter defaulted from covering a yearly amount of 200 billion L.L. worth of interest rates. This resulted in halting of PCH loans in 2015, followed by several dilemmas between the PCH, real-estate developers, and potential buyers. At that time, an estimated 66,000 out of 100,000 disbursed housing loans were subsidized through the PCH. Though this high percentage shows the intensity of the issue, it also created rage among real-estate developers and some policy makers who believe the loans were pumping gas into the real-estate machine, generating cash flow, and creating jobs through the trickle down approach. As this storm continues, potential buyers wait, hoping the PCH will find ways to continue offering subsidized housing loans, believing there is no other housing alternative for their income group.

In this section, I locate PCH loans in TJ arguing they had a very minimal impact on real-estate production and housing acquisition of new apartments. I demonstrate that subsidized housing loans add up to only 6% of housing acquisition in new buildings. The rest is divided between new apartments owned by old landowners who partnered with developers and new apartments sold mainly through forward payments. To prove my point, I rely on data about PCH loans and building permits from the BBD, in addition to interviews with residents and developers. The section is divided into 4 subsections: (1) shows the impact of PCH loans on developers' activities during the first phase of loan introduction, (2) locates the subsidized loans, (3) ranks loan providers/banks in TJ, and (4) concludes with new processes of financialization in this market segment.

1. PCH loans, Permits, and Developers

Was there a boom in the real-estate market following access to PCH loans?

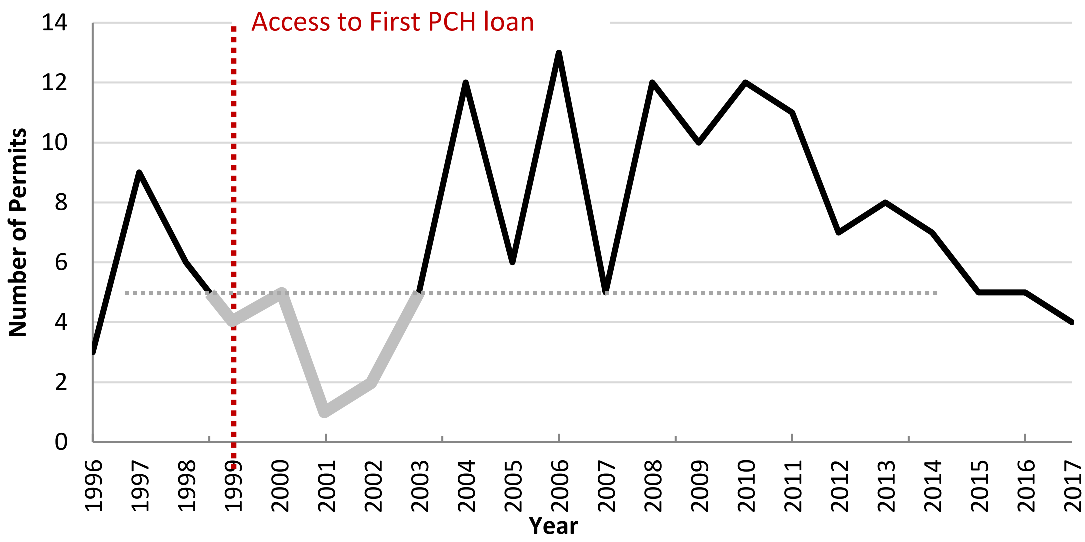


Figure 35: Number of permits in TJ per year, *Source: By Author through the Beirut Building Database 2018*

After the introduction of PCH housing loans in 1999 and as seen in fig 35, the number of permits issued between 1999 and 2003 in TJ was much lower than permits issued outside these years. Moreover, in figure 36, the number of developers entering the real-estate market increased slightly in 2000, followed by a drop in the number of developers entering the market between 2000 and 2003. This minimal impact of PCH loans on developers and permits shows that these loans did not create a boom in real-estate development directly after the introduction of PCH loans. The increase in the number of permits and developers entering the market seems to be much higher at a later stage in 2004. This increase can be explained in relation to the following financing mechanisms: (1) the gradual decreas of PCH loans' interest rates between 2003 and 2017, or (2) the amendments of the 2004 building law which indirectly increased the exploitation ratio. To understand what caused this financialization in 2004, the below subsection will show the distribution of PCH loans to support my argument that the loans did not finance real-estate development in Tariq el-Jdide, regardless of the gradual decrease of interest rates in 2003 (7.2%), 2010 (6%), 2012 (4.76%), and 2017 (3.5%).

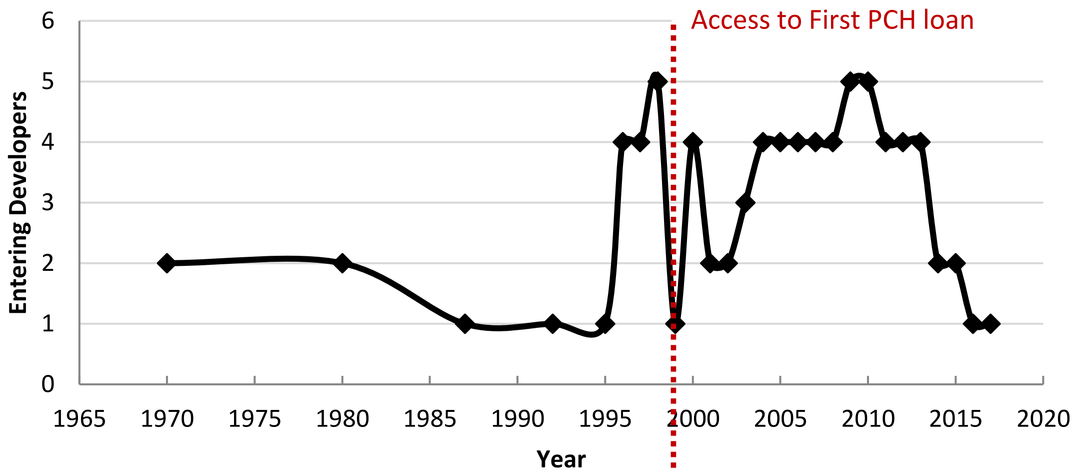


Figure 36: Number of developers entering the market of TJ per year, *Source: by author through the BBD 2019*

2. Locating PCH Loans

As seen in figure 37, PCH loans acquired between 1999 and 2018 are significantly distributed in low to middle income neighborhoods of Mazraa (1,210 loans) and Moussaitbeh (658 loans). The distribution along these neighborhoods is particularly related to the relatively lower prices compared to spared areas such as Bir Hassan and the direct surrounding of Horsh Beirut.

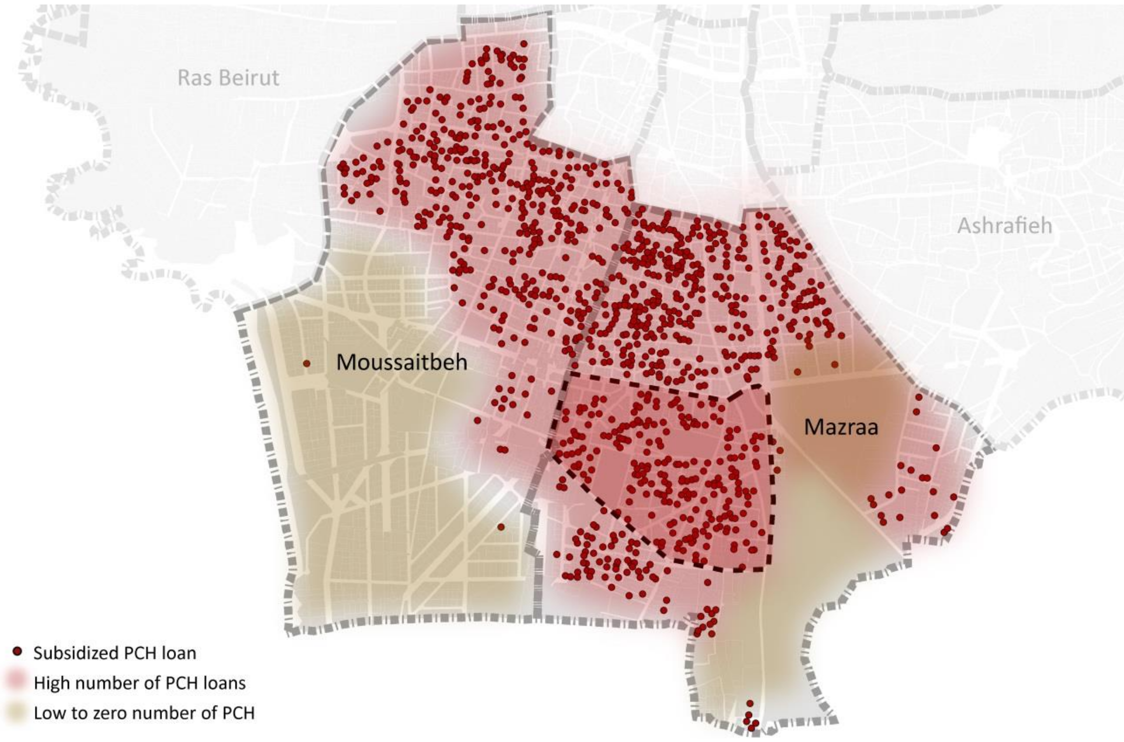


Figure 37: Distribution of PCH loans on a city scale, *Source: by author through the BBD 2019*

In TJ, only 6% of new apartments (88 loans out of 1,500[16] new apartment) were sold through PCH loans (see fig 38). The distribution of these loans is irrespective of developers' building activities. As seen in figure 38, the loans are scattered inside and outside zone B of TJ[17], in buildings constructed by both professionals and amateurs. The majority of the apartments, according to the surveys and interviews were bought through forward payment as discussed in section A.

[16] TJ has 1500 new apartment in 117 complete new buildings according to the BBD.
[17] Zone B is the area where TJ professional developers mainly build. Check Chapter 3.

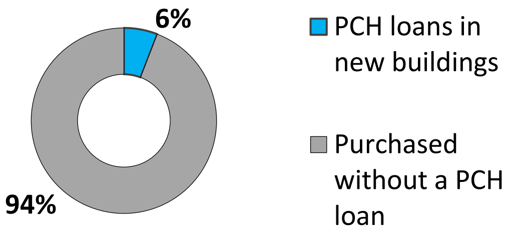


Figure 38: Distribution of PCH loans in TJ in new buildings, *Source: by author through the BBD 2019*

In an attempt to further investigate the impact of PCH loans on housing acquisition, the below figure 39, compares the distribution of loans in both new and old buildings in TJ (permitted before 1996). Surprisingly, PCH loans have a much more significant distribution in old buildings than in new ones. Around 80% of PCH loans were used to buy houses in old buildings of TJ (88 loans in new buildings and 360 loans in old buildings of TJ). This supports my argument that PCH loans have not contributed directly to the financialization of the built environment in TJ[18]. Instead, people used them to buy cheaper houses in old buildings which also indicates that current prices of new apartments have made them inaccessible to a large population, and that forward payment is a main financing mechanism for real-estate development in TJ. This mapping suggests that further research should be conducted in old buildings to understand who was displaced and how.

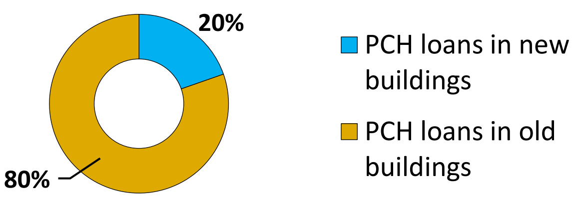


Figure 39: Distribution of PCH loans in old and new buildings of TJ, *Source: by author through the BBD 2019*

---

[18] This claim does not disregard the role of banking finance on the housing market. According to Walid Marrouch (2017), PCH loans have contributed to the increase of price generally in Beirut and consequently TJ.

3. *The "Tariq el-Jdide" Banks*

Interviews with developers and residents show that networks between banks and developers are very weak in TJ. Interviews with residents who acquired PCH loans show that their choice of which bank to borrow money from was largely based on the branch's proximity to their homes. These banks were the same ones they used for salary domiciliation, saving, and personal basic transactions. The better the services of these banks, the more likely the residents are to build trust with the bank, and consequently acquire a loan through them. Their choices of interviewed residents were not based on the variable insurance plans of the banks, stating they had very little knowledge about these variations.

Bank	Count
14 لبنان و المهجر ش م ل	84
1 فرنسبنك ش م ل	40
39 بيبلوس ش م ل	33
53 الاعتماد اللبناني	33
75 بيروت ش م ل	28
22 البحر المتوسط ش م ل	27
19 سوسيته جنرال في لبنان	20
56 عوده ش م ل	14
11 اللبناني للتجاره ش م ل	13
10 اللبناني الفرنسي	12
108 فيرست ناشونال بنك ش م ل	10
94 لبنان والخليج	8
125 بيت التمويل العربي(مصرف اسلامي)	6
28 بيروت والبلاد العربية	5
80 جمال ترست بنك ش م ل	4
44 اللبناني الكندي	3
49 الاهلى الدولي	3
5 البنك العربى ش م ع	3
101 الموارد ش م ل	2
16 فدرال لبنان ش م ل	2
103 الاعتماد المصرفي	1
3 مصر لبنان ش م ل	1
58 فينيسيا بنك	1
95 السعودى اللبنانى	1

Table 1: Number of PCH loans in TJ per bank, *Source: PCH*

Bank	Total value
1 فرنسبنك ش م ل	5152134000
108 فيرست ناشونال بنك ش م ل	2037200000
11 اللبناني للتجاره ش م ل	1844850000
94 لبنان والخليج	1183000000
10 اللبناني الفرنسي	1008580000
53 الاعتماد اللبناني	668760000
56 عوده ش م ل	668760000
5 البنك العربى ش م ع	668760000
14 لبنان و المهجر ش م ل	663007000
125 بيت التمويل العربي(مصرف اسلامي)	663007000
28 بيروت والبلاد العربية	470700000
44 اللبناني الكندي	375250000
101 الموارد ش م ل	341280000
22 البحر المتوسط ش م ل	340000000
19 سوسيته جنرال في لبنان	340000000
16 فدرال لبنان ش م ل	340000000
80 جمال ترست بنك ش م ل	292300000
103 الاعتماد المصرفي	270000000
39 بيبلوس ش م ل	250000000
3 مصر لبنان ش م ل	250000000
49 الاهلى الدولي	220500000
75 بيروت ش م ل	180000000
58 فينيسيا بنك	180000000
95 السعودى اللبنانى	66500000

Table 2: Total value of PCH loans in TJ per bank, *Source: PCH*

Regardless of the lack of networks between developers and banks, the banks provide different types of loans in TJ which is evident in their ranking. As seen in tables 1 and 2, the banks which provide more loans in TJ, based on the total count of loans, are not the same banks which have the highest total value of loans acquired. Some banks give more loans at lower values, such as BLOM and Byblos banks, while others give fewer loans at a higher value, such as First National Bank. This might be related to the social networks and trust built between banks and residents rather than the common claim of networks between developers and banks. It can also be related to the location of the banks' branches with respect to the sub-neighborhoods of Tariq el-Jdide, since some might cater to lower-income residents such as Hay el-Tamlis, while others cater to middle income residents such as Kaskas. This claim however remains an assumption that requires further investigation beyond this thesis.

4. Rethinking the Financialization of the Built Environment

The above analysis of PCH loans shows that the financialization of the built environment in Tariq el-Jdide is not created through an *urbanization-regulation nexus* (Marot 2018). By locating PCH subsidized housing loans, it is clear that this financing mechanism did not contribute to urbanization or real-estate production in this market segment, although it did create a *property market peg* in old buildings of the neighborhood. Instead, urbanization and homeownership in new apartments of Tariq el-Jdide are highly dependent on social relations and networking between residents and local developers through local financing mechanisms: forward payment, partnerships between landowners and/or several developers, and liquidity from silent investors and developers' other trades.

Consequently, housing finance is not an essential driver of a system that feeds capitalist developers when it comes to the case of TJ. This however, does not mean that banking finance and PCH loans made housing more accessible or inclusive, keeping in mind that prices drastically increased after the introduction of PCH loans, and that housing finance – even from a neoclassical economics perspective- did not create jobs in Tariq el-Jdide or any economic beneficial economic restructuring through the trickle down approach.

C. The Importance of Morality as a Guide for Behavior in the Selection of Housing Loans

In this section, I show the impact of Islamic housing loans on housing acquisition in Tariq el-Jdide, by analyzing data collected from Islamic banks that provide housing loans. I find these housing loans interesting since they might cater to the religious preferences of the residents of Tariq el-Jdide, keeping in mind that these loans are much more expensive than PCH subsidized housing loans.

This section therefore seeks to investigate the impact of Islamic loans on housing acquisition. It also reflects on morality[19] as a guide to residents' selection of housing loans. This can be explained in relation to the preferences of buyers who favor Islamic loans vs. PCH loans or vice versa.

My argument is that Islamic banks have failed to create a new housing market and that morality in Tariq el-Jdide is bounded by class constraints and political affiliations. This is reflected in two ways: (1) residents' preference as discussed above and (2) The adjustment of Sharia laws in line with these constraints. The chapter then shows that TJ clients almost always tend to go for lower interest rates rather than high Murabaha rates.

[19] I define morality in line with Harb and Deeb's (2013) interpretation: the observance of the moral codes stated by religion.

In this section of the paper, I present my findings about Islamic loans within Lebanon, focusing when I can on Beirut and TJ. Although this can be read as a deviation of the rest of the thesis sequence, the importance of this topic makes it valuable to highlight the findings so far since they can be pursued further in later research.

The sources used in order to prove my point are data collected from two out of four banks, knowing that these two have the highest ranking among all Islamic banks and are the only ones having branches at the edges of Tariq el-Jdide.

1. *Historical Background and Institutional Framework*

As of 1992, Islamic banking emerged in Lebanon, reflecting perhaps increased religiosity. During that phase, Central Bank regulations did not allow Islamic banks to operate in Lebanon. In order to operate, the first Islamic bank amended its internal regulations partially in a way that fits the market and the guidelines of the Central Bank. During the year 2003, a new Islamic bank was added to the list of entering banks, followed by the transformation of the Baraka bank to a fully Islamic institution (see table 3). This was a result of revised regulations by the Central Bank that allowed Islamic banks to operate following the basic rules of the Sharia law (or possibly vice versa). Both banks had parent companies from the Arab Gulf (Qatar and Bahrain), and both initiated a very recent trend of Islamic banking in Lebanon as we see several new local Islamic banks emerging.

Among these banks, four currently offer Islamic housing loans. These loans are much more expensive than PCH subsidized housing loans with an unfixed "Murabaha"[20] rate that typically revolves around 7.75% compared to the 4.67% offered by the PCH during

[20] Murabaha is a concept that Islamic bankers created to generate profit from loans, claiming that it abides by the Sharia law

the year 2018. These loans are also more prohibitive to middle-income residents because installments are higher since repayment periods are shorter, expanding over a maximum of 10 years compared to 30 years offered by the PCH. Although the banks announce a flat rate, interviews indicate that in practice, the rates and periods are extremely variable since these numbers are defined on case by case basis by each bank's internal Board of Sharia. Neither the central bank nor any other governmental sector sets these rates, which can actually make them -in certain cases- more accessible to certain groups who have the power to manipulate them in their favor.

Bank	Category (According to association of Banks in Lebanon)	Year established	Parent	Parent Country
Baraka Bank	Lebanese Bank with Arab Control	1992 (became fully Islamic in 2004)	Al-Baraka Banking Group (1978)	Bahrain
Arab Finance House Bank	Lebanese Bank with Arab Control	2003	Qatar Islamic bank (1982)	Qatar
Lebanese Islamic Bank	Lebanese	2005	Non	Lebanon
BLOM Development Bank	Lebanese Bank	2006	BLOM Bank (1951)	Lebanon

Table 3: General profiling of Lebanon's Islamic banks which provide housing loans

Despite the availability of hard facts to prove it, rumors abound about the informal processes through which these bank rates are defined, suggesting that an informal market works to strengthen privileges to a few selected sectarian and/or well-connected individuals.

Bank	Religious Board Director/ Sheikh of Sharia Board	Other Religious Board members
BLOM Development Bank	Sheikh **Abdul Sattar Abu Ghuddah**	Sheikh **Amin El Kurdi** Sheikh Hussein El Khushin
Arab Finance House Bank	Sheikh **Abdul Sattar Abu Ghuddah**	Sheikh Walid Bin Hadi Sheikh Nizam Yaquby Sheikh **Amin El Kurdi** Sheikh Ahmad Taleb
Baraka Bank	Sheikh **Abd al-Latif Derian** (Mufti of Lebanese Republic)	Sheikh **Abdul Sattar Abu Ghuddah** Sheikh Oussama Rifai (Mufti Trippoli) **Sheikh Khalil al-Mays** (Mufti Zahle and the Bekaa) Sheikh Bilal Moulla
Lebanese Islamic Bank	Sheikh **Abd al-Latif Derian** (Mufti Lebanese Republic)	Sheikh Hasan Awad **Sheikh Khalil al-Mays** (Mufti Zahle and the Bekaa)

Table 4: Religious Board Directors and other religious board members of the banks

As seen in table 4 and figure 40, the members and directors of all four Sharia boards belong to the same sectarian network of Sheikhs. Their religious Marja'eyyat[21] and political affiliations prove that they belong to the same religious, social, and political network. Most of them are Muftis, which gives the bank more credibility when referring to Sharia laws and in some cases adjusting them. Profiles of some main members are highlighted below to confirm the argument of a specific network of Sheikhs revolving around these banks:

Sheikh **Abdul Sattar Abu Ghuddah**: Well-known regional Sheikh and Chair of several Sharia boards of international banks and many other religious institutions including the Kuwaiti Ministry of Awqaf and the Zakat international Sharia board (Political affiliation is not announced).

[21] A Marja' is a jurist who gives religious rulings based on Islamic teachings.

Sheikh **Abd al-Latif Derian:** Mufti of the Lebanese Republic and affiliated to the Future movement.

Sheikh **Amin El Kurdi:** Fatwa trustee in Beirut, Sheikh of the Amin Mosque, and affiliated to the Future movement.

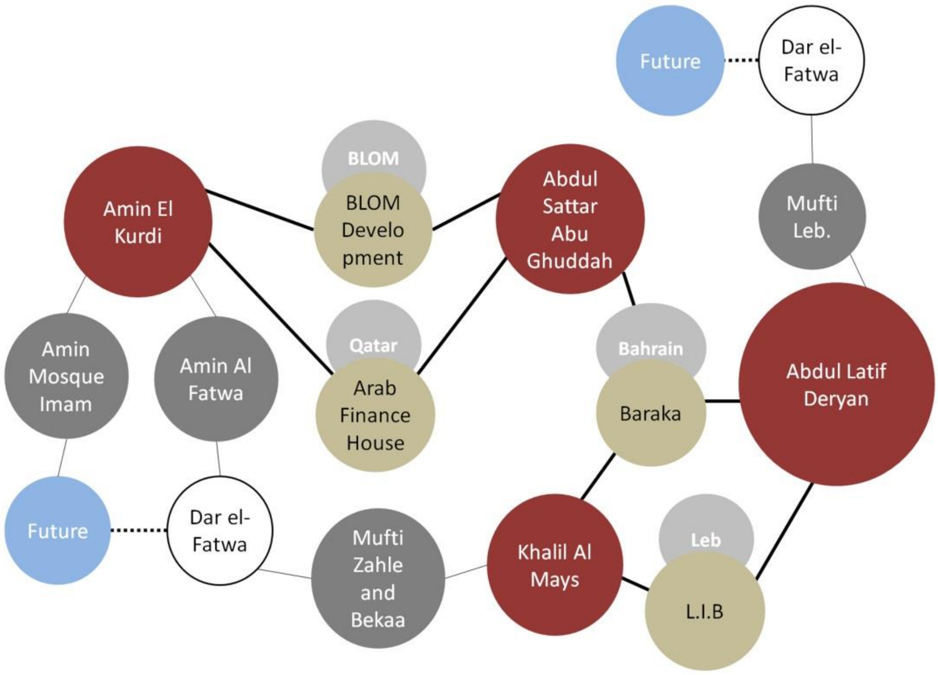


Figure 40: Network between Sharia Board members, banks, and political parties

Besides the announcement of these Muftis' affiliation, the regulations which organize the institutional framework of Dar Al-Fatwa's Muftis show political dominance of certain parties over these religious Marjai'yyet. The main laws which prove my point are two:

(1) Articles 5 of law 18 issued in 1955: Muftis of the Lebanese republic are elected by a special group of well-known reputable delegates.

(2) Article 8 of of law 18 issued in 1955: this group of delegates consists of:

- Muslim Sunni Ministers of Lebanon and the Lebanese Prime Minister.
- Muslim Sunni members of the Lebanese Parliament.
- Previous Muslim Sunni Ministers, Prime Ministers, and members of the Lebanese Parliament.
- Muslim Sunni judges in all Lebanese courts of law.
- Members of Waqf councils.
- Muslim Sunni Members of Beirut's Municipal council including the president.
- Three delegates from each of the syndicates of lawyers, doctors, dentists, pharmacists, engineers, journalists, teachers and workers' union, chosen by Muslim Sunnis of the syndicate.
- Preachers, Imams, and teachers in Prime Lebanese mosques.

Although the list is long, it shows that those who assign the Muftis are mainly Muslim Sunni politicians, who are known to be mainly affiliated to the Future movement. This further supports my argument of political control over the network of banks' Sharia boards (see fig 40).

2. *Adjusting Sharia laws*

The adjustment of Sharia laws is a critical issue that has been addressed by several scholars and religious men. The extent to which Sheikhs and Marja'eyyat do these adjustments through Fatwas varies significantly from one group to another, even within the same sect. When it comes to banking, several Sheikhs and Marja'eyyat removed the taboos of dealing with banks regardless of the emergence of Islamic banking. These adjustments were further extended to housing loans and PCH loans, since many religious men argue that there is no other housing alternative in our local context. This has clearly led to the an increase in PCH loans as people felt in desperate need for a secure housing alternative rather than one which is unaffordable to them.

Another case of adjustments of Sharia laws was detected in one of the Islamic banks. This bank changed their policies so people can benefit from PCH subsidized housing loans. Regardless of whether or not this abides by the basic principles of the Sharia law, this helped the bank attract several clients between the years 2008 and 2012, which marks the period of financial crisis and fraud attempts on this particular bank. The bank survived in 2012 and changed back the policies related to housing loans making them "Islamic again" by discontinuing the use of PCH loans. This bank still sometimes manipulates the interest rates in a way that fits their clients' needs, even if this generates less profit. As one of the managers of the banks said, they need to attract people to the idea of Islamic housing loans so they constantly adjust the interest rates in order to encourage their employees to use them believing this would create a snowballing effect as they tell their relatives about the benefits of these loans and so on.

3. *Locating Islamic Housing Loans*

According to one of the leading Islamic banks in Beirut, the bank has disbursed a total of 44 loans between 2014 and 2018. Of these, 23 loans (53%) were located in municipal Beirut, while 21 loans (47%) were located in the suburbs of Beirut. Only 4 out of the 23 loans in municipal Beirut were located within the limits of Tariq el-Jdide (see fig 41 and 42). The rest are scattered along Ras al-Nabaa, Ras Beirut, Tallet el-Khayat, Barbour, and Aisha Bakkar –all Muslim Sunni neighborhoods. The areas which have more than one Islamic housing loan in the suburbs of Beirut are Aramoun (6 loans), Kobbe (6 loans), and Bchamoun (2 loans), again neighborhoods well known for their dominant

Muslim Sunni populations, as I will argue in Chapter 6.

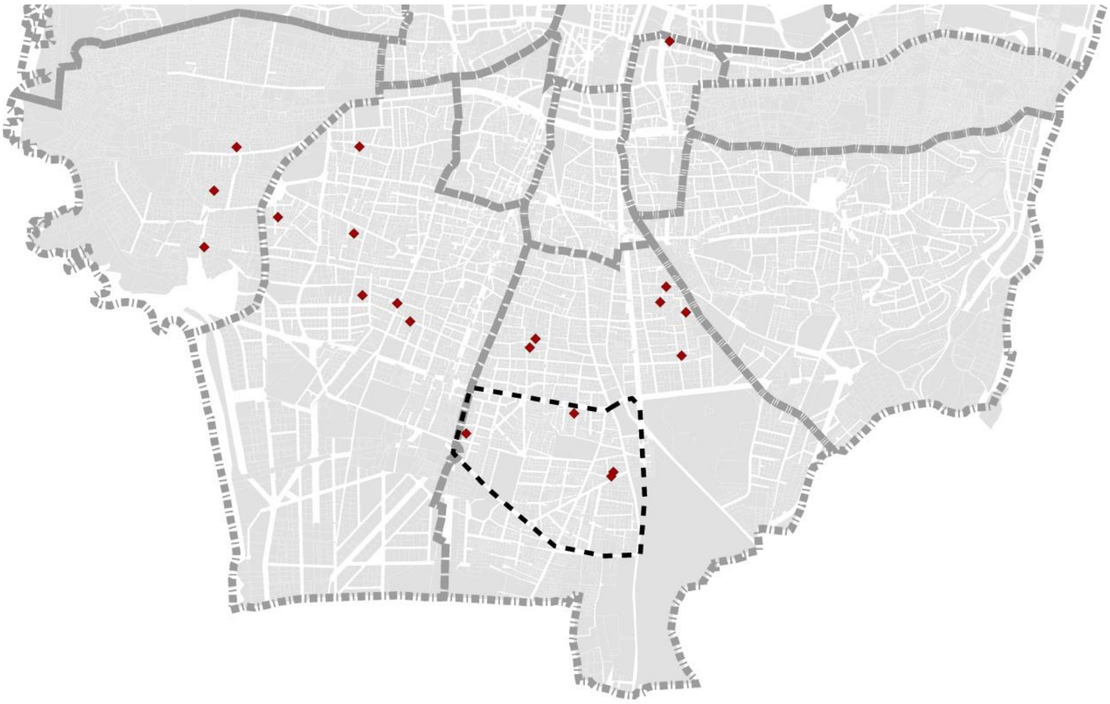


Figure 41: Distribution of Islamic housing loans in one of the banks

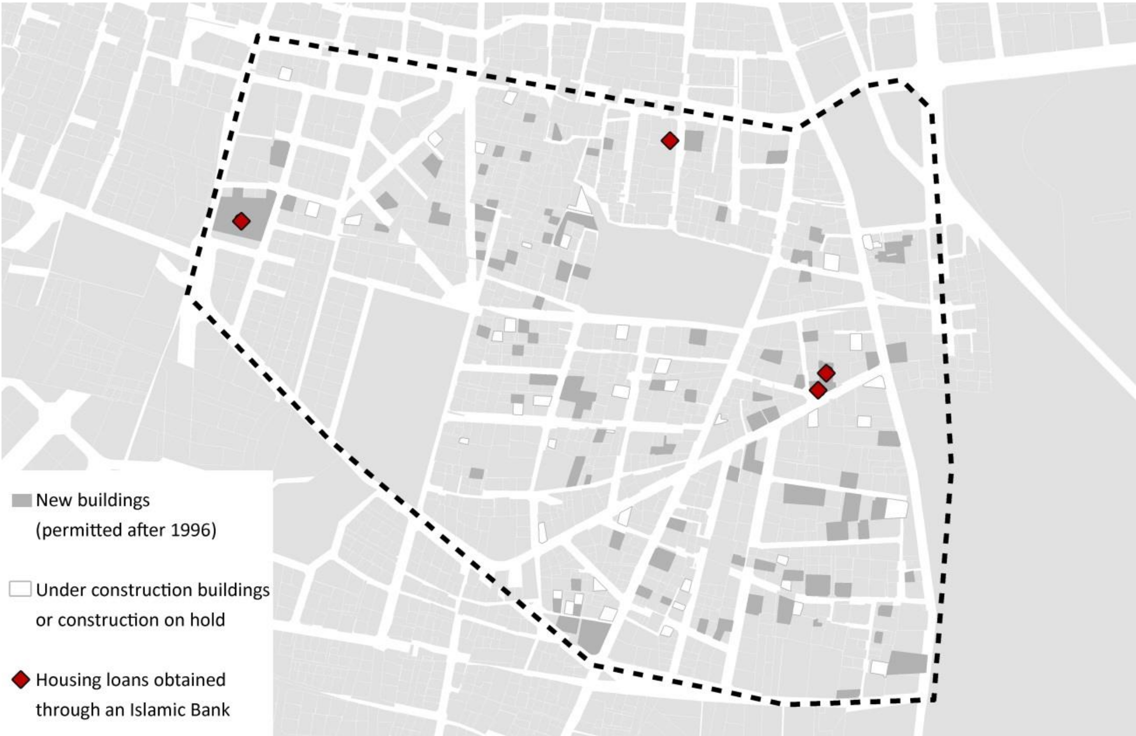


Figure 42: Distribution of Islamic housing loans in TJ

The second Islamic bank I was able to locate only financed 1 housing loan in Municipal Beirut (located in Mazraa) between 2010 and 2018, and 4 in the suburbs of Greater Beirut (Choueifat, Ain Remmeneh, and Chiyah). According to the figure 43, these 5 loans in Beirut represent only 11% of the total number of loans in Lebanon. This number is relatively higher in other more conservative and less expensive cities such as Tripoli in North Lebanon indicating perhaps more religiosity in these areas, a more affordable market, or other factors.

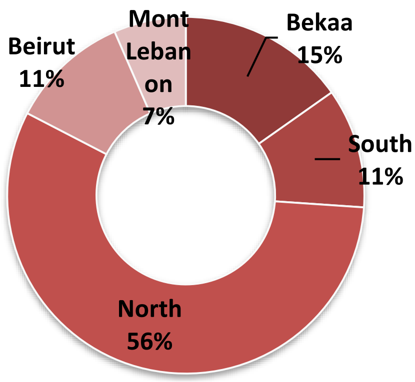


Figure 43: Distribution of a banks' Islamic housing loans on the Muhafazas

Regardless of the existence of Islamic housing loans in Beirut (whether municipal or greater Beirut), the number of loans is still almost negligible compared to the intensity of loans acquired through the Public Corporation for Housing. This choice preference seems to strongly indicate that almost all residents choose to go for loans that fulfill their housing concerns over a religious belief. It also shows to what extent people are willing to adjust their moral principles in times of need. This preference is also facilitated by religious jurisdictions who recently decreed that Sharia laws could be extended to facilitate people’s everyday wellbeing, including their needs for banking.[22]

D. Conclusion

In sum, forward payment and partnerships with landowners are the main housing finance mechanisms in new apartments regardless of the introduction of various types of loans by the banking sectors, the Central bank, and the PCH. These loans actually

[22] This might also be strongly related to the connections between certain religious men and bankers who want to attract as many clients as possible. This claim however requires further investigation which falls outside the scope of this thesis.

barely assisted developers in capitalizing on housing and the real-estate market and have a more modest impact on the urbanization of TJ.

Real-estate production relies mainly on the social networks within the area of TJ, whether or not they use certain political and religious institutions for networking purposes. Current financing mechanism also show that developers are taking advantage of residents' need to have cheaper apartments by pass on the risk of development to future residents.

Moreover, this need to access housing is translated in resident's preferences: they would rather go for cheaper apartments that do not comply with their moral principles. It also in certain cases led to the adjustment of certain religious principles in a way that conforms to the needs of the people, regardless of whether or not this adjustment had an impact on housing production and acquisition.

CHAPTER V

BUILDING LAWS AND THE REAL-ESTATE SECTOR

This chapter looks at three amendments in the building law and studies their impact on the practices of the developers and housing in TJ. Three main laws were introduced between 2004 and 2012. These laws are the 646 building law related to calculations of the allowable total built-up area in 2004, the 7964 public safety law, and the 220 housing law for people with special needs. I argue that the 646 law intensified building development opportunities for more lucrative investments in the real-estate market of TJ. The other two restrictive laws increase the cost of development. However, they have little impact on prices, which shows the importance of waving the cost of such beneficial laws to developers. The chapter is divided into two main section, outlining three amendment building laws. Each section includes definition of the laws, their content and historical background, the way developers used them, and their repercussion on housing and the practices of the developers in TJ. The main sources used to prove my argument, are interviews with developers, site visits, the BBD, and other online sources.

A. Financing Real-estate through Square Meters

Several researchers have argued that the introduction of the 646 building law in 2004 intensified capital interest in Beirut’s built environment (Fawaz and Krijnen 2010). By allowing developers to build more and higher, the law created further incentives for profit at a time when the international financial melt-down and the flow of capital to Lebanon generated a pressure to find places where this capital could be placed (Fawaz and Krijnen 2010). This section investigates the impact of the 2004 revision of building law on housing in TJ. My findings dramatically confirm the arguments of these scholars, showing that the Law 646/2004 drastically transformed TJ's real-estate market, including the building typology. I argue that this law intensified building development as it provides a powerful incentive for many amateurs to enter the market, given that it raised substantially the prospects of their profits. While not specific to this market niche since the same pattern was followed in almost all formal market segments of the city as argued by Fawaz and Krijnen, the law increased gentrification in TJ by encouraging developers to displace old time residents.

1. The 646 Law

In 2004, parliament approved a draft building law (Law 646) that amended the previous framework of building development. Since 1961, Lebanon has imposed a single building law on its entire territory, requiring all building developers to obtain a permit before construction (El-Achkar 1998). The law imposes requirements on building envelopes, access to lighting and ventilation and relies on the zoning regulation to provide a ratio of building development. The combination of zoning and building law dictates development allowances for every lot within a prescriptive regulatory framework. Given that Beirut's zoning was approved in 1952 with relatively high building permissions, it has been considered an "untouchable" text, save for a few targeted zones. Consequently, developers have relied on amendments to building law in order to intensify their building activities. Since 1971, the law has been amended several times, each time excluding more spaces from the calculations of the total built up areas (e.g. balconies, planters, staircases, wall thicknesses).

In line with previous revisions of the building law, Law 646/2004 allowed developers to build more by excluding several elements from the total exploitation ratio. Some of these main elements are balconies (around 20%), staircases (around 20%), shafts (around 10%), and external walls (around 10%). The building envelope ratio also known as gabarit (building height) increased from 2 times the width of the street to 2.5 times. In this context, the 3-5 floor buildings built in TJ in the 1950s appeared as an important "rent gap", preventing building developers from profiting from the potential high-rises they could now build (Krijnen 2016). The 2004 law also extended additional exemptions to corner lots, making corner buildings a higher pray to redevelopment than others. Corner lots are located at the intersection of two or more streets. These lots attract developers because they fit more commercial stores at the ground level and allow buildings to go even higher. One of the stories of corner lots is outlined in figure 44, where one professional developer used political control to seize a corner lot from an amateur developer (see figure 44).

One of the main professional developers in TJ, Jalil Al-Joundi, used his political connections to stop the construction of the green highlighted lot. He was supposed to redevelop only the red ones, but got greedy once he knew an amateur developer will build on the green one. His future plans are to take advantage of the corner lot, pool it with the other two lots, build more, and go higher.

Figure 44: Story of one corner lot in TJ

According to two interviews, an old developer and resident in TJ, Farouk Mashaka, was one of the engineers who advocated for the drafting of the 2004 building law. He was a well-connected developer, university lecturer, and resident in Hay el-Tamlis. He started building in Hay el-Tamlis as a landowner, then moved out to live and build in other, higher-end neighborhoods of Beirut. He had many connections including engineer Issam Tannir, the director of the building department in Beirut's municipality, who supported his argument along with other engineers who saw an opportunity in the amendment. Both interviewed developers claim that Mashaka's aim was to encourage the developers to widen the staircases and elevators, and increase the thickness of exterior walls to reduce artificial air-conditioning., yet the implementation of the law ended up very different from what he had imagined.

2. *Transformations in the Real-estate Market*

The 646 law transformed both housing and the real-estate market of TJ making them more appealing to developers and less accessible to residents. These amendments first changed developers' perception of property and land as they currently describe them as products. It was clear in an interview with developer Hassan Jaber, that the choice of land is very delicate and that the 2004 law generates more profit in certain locations:

> *The value of land is determined based on its location. For example, I can squeeze 1kg of lemon and get one small cup of juice, and I can squeeze another 1kg of lemon and get a full glass of juice.*

In the above quote, developer Jaber referred to the *value of land* as lemon juice while continuously using his calculator to prove his point. In another occasion, he describes it as meat weight vs sheep weight, as a reference to the actual used space by residents vs the space he sells to them. Jaber says that a 108m^2 apartment is actually a 65m^2 apartment if we subtract the unlivable spaces developers sell (e.g. staircases):

> *For example a 65m2 apartment *1.2 balconies + 13m2 stairs + 17m2 double wall and flower beds = 108m2. It is like a sheep that weighs 108kg but only has 65kg of meat.*

Figure 45: From shaft to toilet

Hassan Jaber was not the only developer who dwelled on the benefits of the 2004 amendment. Many others kept on praising this amendment with the common outcome of additional profit. The only developer who was not satisfied with the law was an old time neighborhood developer who used to be the only one building in Kaskas before the increasing competition after the introduction of 646.

Figure 45, also shows a shaft that will turn to a bathroom after municipality inspectors visit the construction site. This is only one example of how developers sell extra spaces to increase the size of the apartments, or, in other words, to fluff their sheep's skin.

The extent to which this amendment affected housing and the real-estate market can be traced through the massive increase of permits issued and developers entering the market after 2004 (see fig 46, 47 and 48). Most of these developers were unprofessional developers, mainly amateur developers, who saw an opportunity in the 646 law and took it.

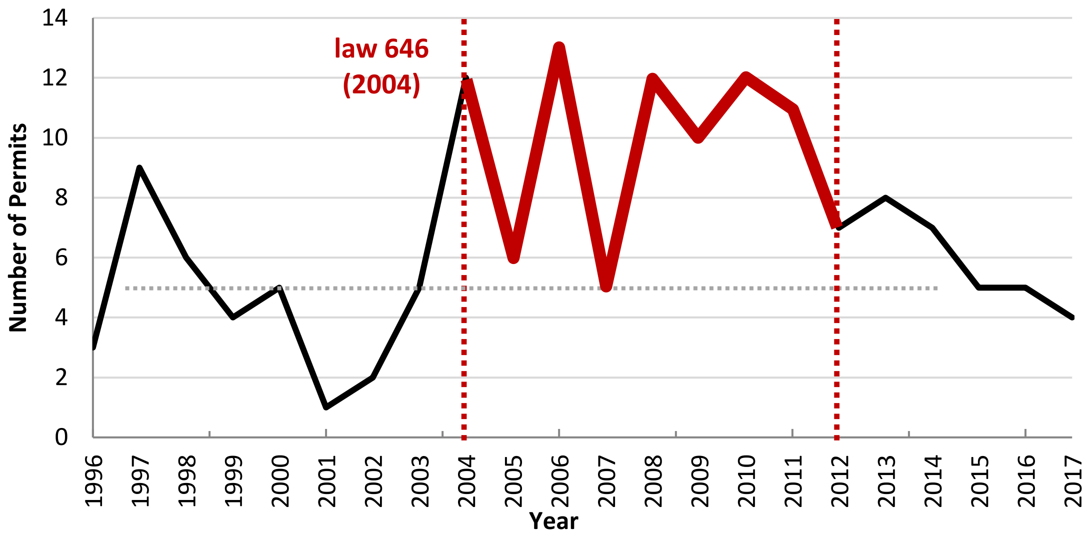


Figure 46: Number of permits in TJ per year, *Source: by author through the BBD 2019*

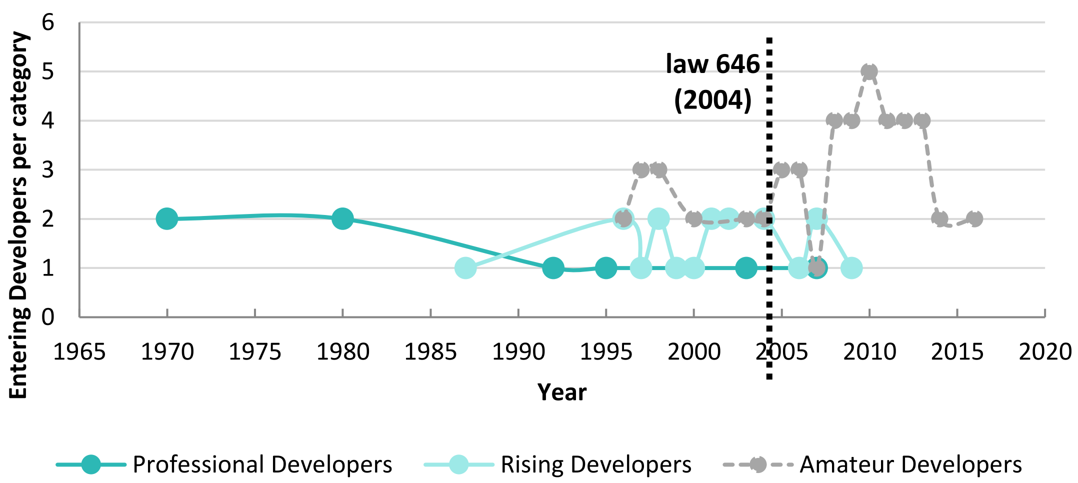


Figure 47: Number of developers entering the market per year, *Source: by author through the BBD 2019*

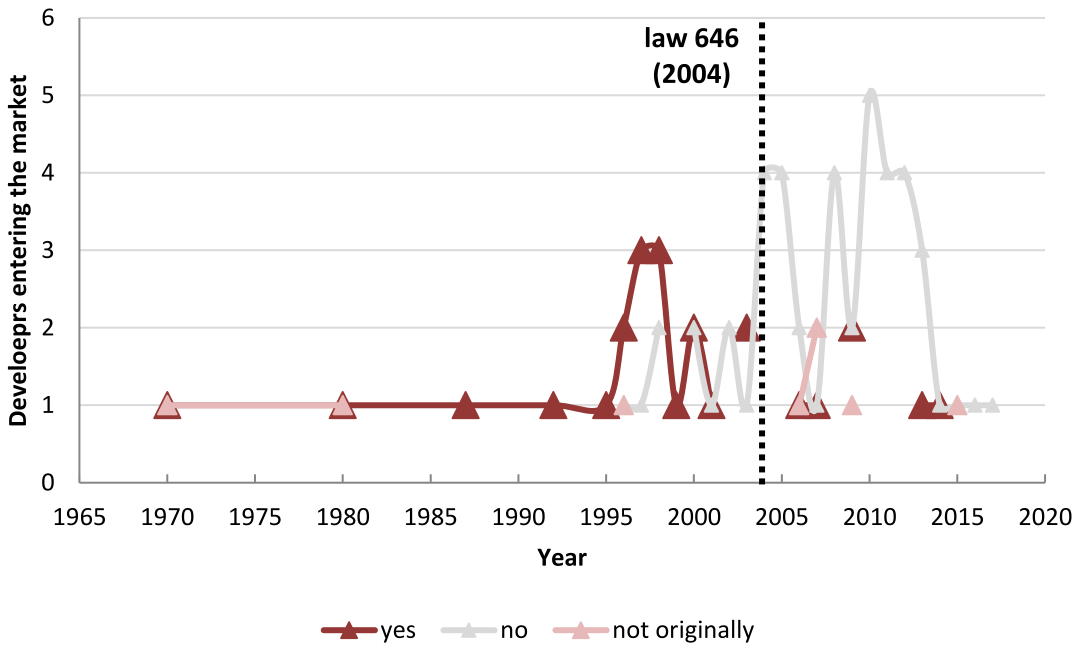


Figure 48: Professional background of developers of TJ, *Source: by author through the BBD 2019*

This lack of professionalism is highlighted in the story of a amateur developer as seen in the figure below (see fig 49). An amateur developer who owns a wholesale clothing company filed his first permit in 2005. At that time, the developer used revenue generated from his clothing company as capital to invest in real-estate following the recent trends and anecdotes of how profitable this market has become. In less than 5 years, all apartments were sold out, which made him file his second building permit in 2014. He currently regrets this decision since he demolished the old building three years ago, yet no one wants to buy any of his apartments. My recent visit to the same website, shows that this developer removed this timeline along with all advertisement related to real-estate development, and turned it to an online shopping platform for his clothing company using the same URL.

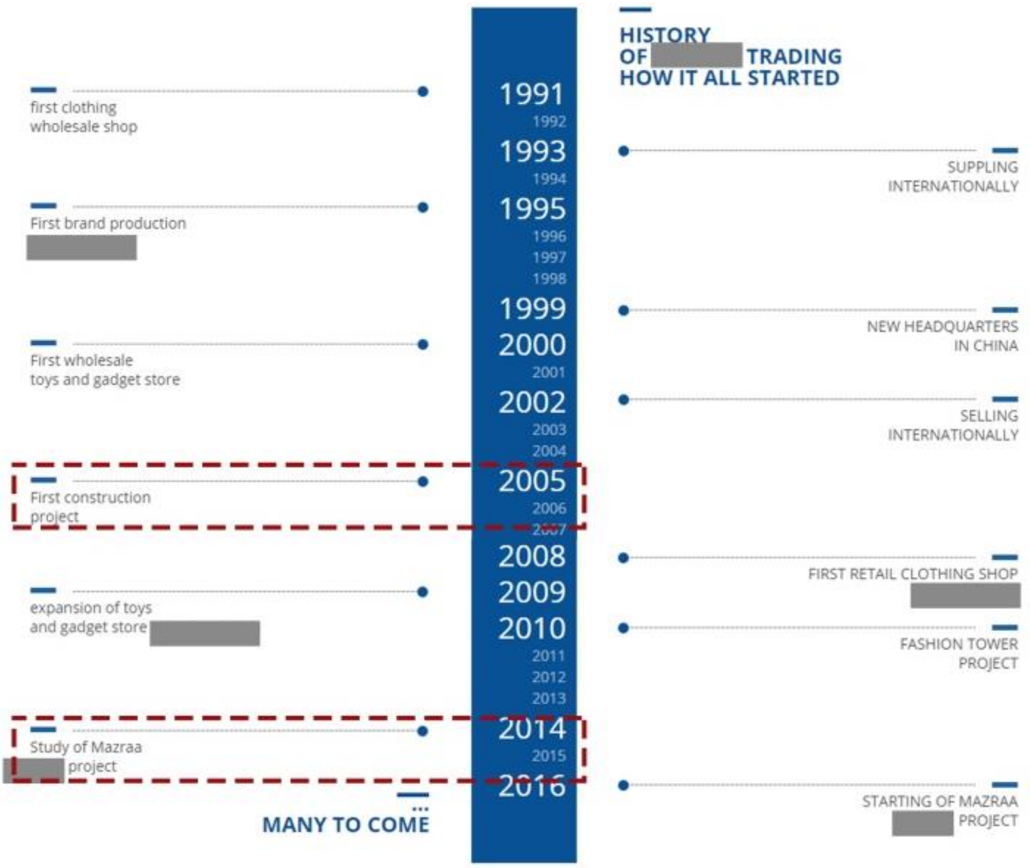


Figure 49: Timeline of an amateur developer, *Source: A developer's website*

In brief, the 646 building law issued in 2004 intensified building development and encouraged amateur developers to invest in the market of TJ. Although this can be seen as beneficial, it had a negative impact on building typologies, since the developers are selling residual spaces (such as staircases) and since amateur developers are unprofessional developers who will eventually build lower quality buildings. The law further increased developers' perception of housing as a trade, and created competition among developers who look for parcels that can generate more profit. Although the 646 provision increased housing supply, it created a backlash on housing and building typologies.

B. Provisions to Improve the Building Framework

Over the past couple of years, several building collapses where recorded in Lebanon. Many people were killed, injured, or became homeless after these incidents, creating an outcry among residents who pled authorities to reconsider their living conditions. These constant episodes from Burj al-Barajneh, to Ashrafieh and Nabaa, show the need to have safety measure at the forefront of current discussions to improve public safety regulations and inspection processes. Furthermore, people with disabilities have long been advocating not only for the right to access housing, but also to have spaces designed for them.

This section therefore looks at the impact of two building regulations that aim to improve the building framework on TJ's housing. I argue that these laws had a positive impact on housing although amendments and monitoring are further required. On the one hand, these laws make our buildings more livable and sustainable. On the other hand, they increase the cost of construction, which can in turn have a backlash on housing prices and affordability.

1. Historical Background and Definition of the Laws

a. <u>The Guidelines of the Public Safety Law</u>

In January 1997, an earthquake, registered 5.6 on the Richter scale, hit Lebanon. Although no damage was recorded back then, the earthquake caused fear among Beirut's residents who felt the need to have building law regulations related to public safety. Local authorities responded to these concerns by introducing three public safety decrees in November 1997. These decrees tackled the below issues:

1) Decree 11264: Basic fire safety regulations in buildings

2) Decree 11266: Seismic load guidelines to be applied to the design and execution of buildings
3) Decree 11267: Determining the technical conditions and prevention mechanisms of safety in elevators.

Another decree 14293 related to public safety in buildings was added in 2005. This decree amended the same technical guidelines related to elevators, fire, and seismic activity.

In 2012, a new decree 7964 was introduced to amend all the above technical guidelines, since they contradicted each other and required a monitoring process to make sure all new buildings abide by public safety laws. The main amendment in the new law was the obligatory revision of all drawings and on site execution through Technical Inspection of Buildings companies (ITEs). The law also stated three categories of residential buildings to follow the law one at a time:

1) Category 1: Building height greater than 40 m - should start coordinating with ITEs in 2012.
2) Category 2: Building height between 30 and 40 meters - should start coordinating with ITEs in 2014.
3) Category 3: Building height between 20 and 30 meters - should start coordinating with ITEs in 2016.

Based on the conducted surveys through the BBD, around half of the buildings fall under category 2 and the second half falls under category 3. Consequently half the permits filed after 2012 should follow ITE guidelines in 2014 while the rest should do so after 2016.

b. The 220 Law for People with Special Needs

The second amendment which aimed to improve the building framework is the 220 law: Rights for people with special needs, introduced in 2000. Section 6 of the law: “The right to *housing* for people with special needs” was drafted in an attempt to provide adequate shelter for this group. Section 6 of Law 220 covers the “The right to housing for people with Special needs”. It is divided in 4 articles:

1) Article 55: Provide housing for people with special needs in public and private residential projects and compounds (2% of residential units in private compounds).
2) Article 56: These apartments should only be rented out and sold to people with special needs or their relatives.
3) Article 57: Public residential projects should be renovated to accommodate people with special needs. 2% of the budget of all public housing institutions (e.g. the PCH) goes to buying, renting, or renovating apartments in private properties for people with special needs.
4) Article 58: All legal paperwork should be facilitated to allow homeownership for people with special needs.

2. Performance of the Laws

This section shows how developers apply the laws, while highlighting in some cases, problems in the laws themselves.

a. The 7964 Decree

Generally, all developers agree that there is a need for public safety measure. During the survey, new buildings of TJ seem of a better quality, which will improve the livelihood of the neighborhood in the future. These restrictions force developers to invest more in the structure and infrastructure of the buildings. Some developers further realize the need for public safety laws making them somehow neutral about it while thinking of whether or not this might affect pricing:

> *The prices are still less expensive in TJ than other areas because the finishing varies from one area to another. The main structure and infrastructure are nevertheless the same all over the city, so the law is good in terms of safety.*

b. The 220 Law: Using Loopholes to Bypass the Law and Problems in the Law

Interviews with developers as well as my survey of buildings showed that the law was largely disregarded. Furthermore, those who sought to apply the law were obviously using loopholes to bypass it rather than comply. These practices in turn cause the exclusion of people with special needs from housing in TJ. To prove my point, I focused on the impact of articles 55, since the other three articles require further investigation.

According to developer interviews, buildings which have more than 20 apartments should dedicate at least one apartment for people with special needs. The survey however, shows a negligible number of buildings which conform to this law. Developers also did not apply the law to the shared spaces of the buildings, which can be seen from special control panels in elevators, dedicated parking for people with special needs…etc.

The law however has problems that affect housing negatively. A rising developer was unable to sell two apartments dedicated to people with special needs because the law states that internal spaces should be designed particularly for wheelchair users, not all people with special needs. Thus, building regulations of this law contradict the definition of people with special needs since it also includes people with mental health illnesses, limited eyesight, and limited hearing abilities:

> *One of my TJ projects (24 apartments) has 2 apartments designed for people with special needs. The apartments are already small, and a 2.5x3 m2 bathroom is too huge. It ate up one of the rooms in the apartments. This makes no sense because a customer with special needs might be someone with limited eyesight or hearing abilities…people with disabilities don't necessarily use wheelchairs.*

The developer continues by suggesting amendments that can still allow people with special needs to acquire adequate housing without restricting developers to design apartments for wheelchair users:

> *They should instead give a permit for people with disabilities to do the amendments they need in their apartments, instead of restricting us. I am saying so because each person has a different disability. It makes more sense to keep the restrictions for shared spaces such as elevators and parking.*

3. Repercussions on the Real-estate Sector

The first transformation observed in line with the 7964 law is the decrease in the number of permits and developers entering the real-estate market of TJ as of 2012 (see fig 46 and 47). The law might have contributed to this decrease, yet it is important to note that several other factors might have had a greater impact on real-estate at that time, mainly the Syrian civil war and refugee influx in 2011, as well as the regional restrictions on Arab tourists to come to Lebanon, which affected the demand of this group.

In terms of construction cost, developers complain that these new regulations increased the cost of building development and hence force to increase prices. One of TJ's developers went as far as to express the need for financing mechanisms to compensate "the losses" caused by the safety law:

> *You can't apply the same safety measures on small lots. This law increased the cost.* ***They should compensate from another side. In the TER for example, or create certain loans to encourage people to buy****.*

Developers who tried to implement the 220 law also complained that it raised the cost of construction. These claims however do not reflect the pricing of the units, since developers continue to build despite these laws in times of market recession. In the absence of transparent figures, it is impossible to know the level of profit these developers make and consequently what can be passed on. The lack of data about the market, actual selling prices, and developers' profit are consequently the main issue raised in line with these laws.

CHAPTER VI

WHO HAS ACCESS HOUSING IN TJ?

This chapter aims to profile current residents of TJ. It profiles two groups of residents, those threatened with eviction and those not, unravelling the factors which facilitate housing acquisition including sect and class. The purpose of the chapter is to show that forward payment, banking finance mechanisms, and partnerships between landowners and developers did not create an equitable inclusive housing market. To the contrary, these forms of financing may be contributing to the reproduction and entrenchment of sectarianism as an organizing principle of the city, and they may be widening the wealth gap by facilitating processes of housing eviction for locally vulnerable population groups, empowering others to move in and enriching a third, more powerful group in the neighborhood. In sum, the chapter shows that the ongoing housing developments as fuelled by financial frameworks, developer strategies and public policy create a highly insecure housing framework in which several population groups, strongly stratified along income lines, struggle to maintain a foot in the city often in competition with each other.

The chapter is divided into two main sections:

(1) Profiling of residents who **have access** to housing and their method of payment in new buildings, and those who bought apartments in old buildings using PCH loans.

(2) Profiling of residents who **do not have access** to housing. These residents either got evicted or are currently threatened to be evicted. They include –but are not limited to- old tenants.

The chapter shows that access to housing in TJ is limited to a precise income group, mainly well-off Muslim Sunnis who are able to buy their apartments and pay for them directly in cash. Conversely, the chapter shows that the neighborhood's financing mechanisms triggered new processes of gentrification since gentrification in TJ is not defined as an influx of middle-class **new** residents, but rather the displacement of a lower-income aging population by a younger **already existing** richer population within the same neighborhood and within the same class. I used interviews with developers, new residents, and old time residents to prove my point.

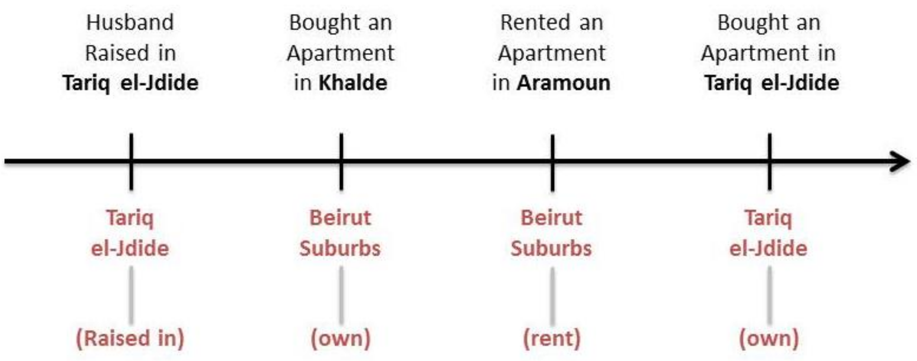
A. Profiling Residents Who Have Access to Housing

1. Origin and Migration Patterns

The general feel among old time residents in TJ is that there's a drastic population displacement in TJ caused by direct gentrification from re-development projects. Moreover, many argue that "foreigners" (اجر غريبة بالمنطقة) are "invading" the space and displacing *their* children from TJ to the suburbs of the city such as Bchamoun and Aramoun. When asked who the "foreigners" are, interviewed residents often described this group along sectarian lines, as Muslim Shiites, or along geographic lines of belonging, as Muslim Sunnis migrating from Iqlim el-Kharroub[23]. Although further systematic surveying is needed, the interviews I conducted in TJ showed that almost all new residents of TJ are former residents of TJ. Most are newlywed couples who have

[23] According to the Iqlim el-Kharroub Union of Municipalities (known as the Federation of Iqlim el-Kharroub Municipalities) Iqlim areas include: Bargoutiyeh, Aanout, Baasir, Barja, Bourjein, Chhim, Dahr el-Mghara, Dalhoun, Daraiya, Jadra, Jiyeh, Ketermaya, Mazboud, Mghayriyeh, Ouardaniyeh, Rmeileh, and Sibline.

grown up in TJ, or at least one of this did. Some have moved from one sub-neighborhood of TJ -usually their parents' residence- to another sub-neighborhood –usually after getting married- which made old time residents assume that there are newcomers –or what they refer to as foreigners- moving into the area. Interestingly, the trajectory of these "newcomers" often involve a passage in Beirut's suburbs, in Bchamoun or Aramoun where they first decide to move before the difficulty of dealing with a long commute and the isolation of the city's suburbs pushes them back to TJ (see figure 50). Interestingly, while the move to the suburbs was first perceived as a viable housing options by these couples, it is increasingly recognized as an intermediate housing step or investment that empowers them to move back to the city where they can rent given that they have secured a source of income from renting out the house in the suburbs and a long term shelter if they ever need it. Speaking further of the choice to come back to the city, interviewed residents pointed to the need to move back because they wanted to stay connected to their social networks (mainly parents and friends). They also moved back to maintain their networks with internal institutions and so they can stay close to certain services in TJ. These institutions and services include religious institutions (Jami'yyet and Mosques) and services include mainly proximity to jobs and commercial centers.



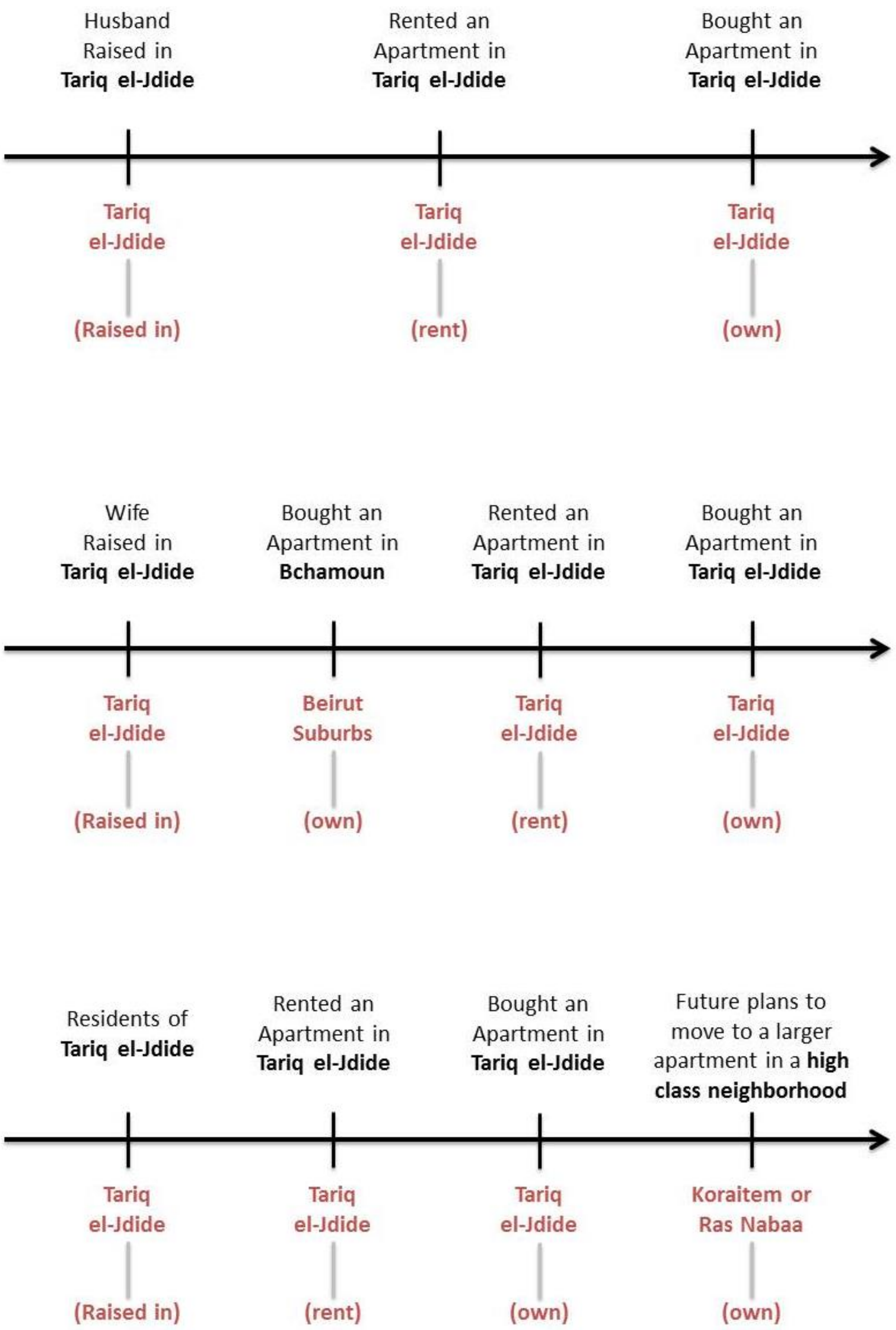

Husband
Raised in
Tariq el-Jdide
Rented an
Apartment in
Tariq el-Jdide
Bought an
Apartment in
Tariq el-Jdide
Tariq
el-Jdide
(Raised in)
Tariq
el-Jdide
(rent)
Tariq
el-Jdide
(own)
Wife
Raised in
Tariq el-Jdide
Bought an
Apartment in
Bchamoun
Rented an
Apartment in
Tariq el-Jdide
Bought an
Apartment in
Tariq el-Jdide
Tariq
el-Jdide
(Raised in)
Beirut
Suburbs
(own)
Tariq
el-Jdide
(rent)
Tariq
el-Jdide
(own)
Residents of
Tariq el-Jdide
Rented an
Apartment in
Tariq el-Jdide
Bought an
Apartment in
Tariq el-Jdide
Future plans to
move to a larger
apartment in a high
class neighborhood
Tariq
el-Jdide
(Raised in)
Tariq
el-Jdide
(rent)
Tariq
el-Jdide
(own)
Koraitem or
Ras Nabaa
(own)

Figure 50: Timelines of residents migrating from and back to TJ

While an individual choice, these migration patterns, as seen in figure 51, are facilitated by brokers in TJ who sell apartments in Beirut's suburbs, mainly Bchamoun and Aramoun, as part of their work portfolio. It is worth pointing out that the same processes of building financing documented in the previous chapters are used in

Figure 51: Advertisements by a broker

the city's suburbs. Thus, the advertisements invite future homebuyers to rely on forward payments. One interesting option offered to homeowner is "trading land and apartments" between these two areas. Thus, the advertisement and interviews with developers invited homebuyers to use their assets as part of the down payment. This however seemed to be one way, indicating that it was TJ that offered the more desirable asset as evidenced by the comments made by a developer:

> *We also have cases of trade. For example, someone will tell you to take his apartment in Aramoun in return for an apartment in TJ and will pay you the difference gradually over 10 years. Of course I will not go for such a trade.*

I am not sure if these transactions ever happened because I was not able to trace a single incident during my interviews with residents. I expect them to happen mainly between *old* apartments of TJ and *new* apartments of Bchamoun and Aramoun, yet further investigation is required. I also believe further investigation is needed to trace cases of land trade between developers since I assume such transactions happened between them as financing mechanisms during market recession periods.

2. Age

Most of the new residents in new buildings are newlywed couples aged between late 20s and 30s. Very few residents are aged between 40s and 50s. Older residents live in old buildings that were bought through PCH loans. This shows that younger groups have better access to housing in new buildings of TJ. Older residents prefer older buildings because they are cheaper, which shows a slight difference in income among age groups. In addition to the income of younger residents, this group receives different forms of aid, as I will argue in the next section.

3. Sect

It was not so surprising to find that almost all new residents of TJ are Muslim Sunnis. As discussed earlier, in chapter 3, developers do not sell apartments to Muslim Shiites because they believe their business will shut down if they do so. The residents of TJ, whether old timers or newcomers, do not want Muslim Shiites entering the area, which is somehow similar to the racial access to land in the US. The only difference is that income and race were very much related in the case of the US, since African Americans were suffering from income inequality based on race. In the Lebanese context, income inequality may not be correlated with sect. Nevertheless, the neighborhood is less inclusive in terms of sect and this phenomena is reproducing itself since developers only sell to Muslim Sunnis.

4. *Gender*

Patterns of housing acquisition are highly gendered. In a patriarchal society where men are expected to secure an apartment for the couple, homeownership is largely decided by men who also typically register apartments in their names. As a result, they tend to control more decisions about the household settlement, including the choice of moving into TJ where typically the husband's parents live. It is worth noting nonetheless that even in cases where women were contributing to the cost of apartments, men were still heavily weighing on the choice of the neighborhood.

5. *Income, Occupation, and Financial Feasibility*

When asking developers who their clients are, they mostly profile them as expats or middle income residents who use PCH loans. The quantitative data collected however is partially inconsistent with these statements. As discussed earlier, only 6% of new buildings' residents buy their houses through PCH loans. The residents who are able to buy apartments in new buildings are typically better off Lebanese residents and expats who can pay a minimum of half the price of their apartment as a down payments, or those who can pay up to USD6000 worth of direct installments. A rising developer was more open about this than other developers:

Liquidity comes from so many different sources. Clients do not rely on PCH loans, and they are only 5% of the market's customers. They are rare and you have to look for them and hold on to them. I prefer customers who are better-off…those who pay in cash. They are the best (نخبة)….other categories of customers include:

- *Merchants, mainly people who are not employees,*
- *Expats, they are "our people" who live in the Gulf*

As for middle income residents who do not have enough liquidity, their ability to purchase a home is highly dependent on their willingness to sacrifice other aspects of their lifestyles, giving up for example health insurance or getting assistance from their parents. As seen in the below quotes, one of the residents had to sell his car and put his children in public schools so he can pay around 40 thousand dollars. Residents also, either assist their parents financially, or vice versa. The common thing between all residents who use forward payment is that they pay more than half of their income on housing.

I had to sell my car, and my children are in public schools because I had to save money to buy the house. I also assist my parents financially. That is why I decided to buy the house directly from the developer without a loan.. We agreed on 87,000USD in 200, I paid half the amount as a down payment, and paid the rest over three years. More than half our income was directed to installments.

It is true that we didn't give up on health insurance or children's education, but more than half of our income was paid on housing installments. We also had to borrow some money from our parents to have enough cash for the down payments.

> *We didn't receive any form of aid, but we pay more than half of our income on installments.*

Although these residents were able to acquire housing as an asset, -beside its social value- many of them had to give up on basic essentials. Examples of these necessities are health insurance, good child education, family cars (knowing that public transportation in Lebanon is not very efficient)… Giving up on such needs, while paying more than half the income on housing is a very critical issue even from an economic perspective since these residents usually withdraw from social activities and consume less because they are financially less capable of doing so. Moreover, this indicates a redistribution of wealth from residents to developers and landowners who partner with developers in an attempt to sell their share.

These new residents, whether or not they have access to housing through forward payments, PCH loans, or through partnerships as landowners, are still under a very high risk of eviction and fraud. Even residents who go for forward payment because it is cheaper, are risking their life savings in case developers could not deliver, or in case developers had so many building illegalities that residents could not get the required papers which shows legal ownership rights. PCH loan residents, whether in old or new buildings, are also under threat of eviction since many of them are increasingly becoming unemployed and might default from paying very soon. Consequently, the residents who are not holding any risk in TJ are residents who are rich enough to pay for their apartments fully in cash.

B. Profiles of a Highly Threatened Population

Although the formal market of TJ is considered to be one of the cheapest in municipal Beirut, it is still inaccessible to a large population, regardless of developers' forward payment strategies and PCH subsidized housing loans. According to interviews with evicted residents and residents struggling with eviction, buying a house is very expensive and PCH loans are not making it more accessible. To some, renting back in TJ is also not an option. One of the residents struggling with eviction describes his inability to acquire a PCH loan as follows:

> *We can't even buy in Bchamoun or Aramoun…buying is still very expensive for us…I need a loan to get a PCH loan...we can't afford it*

The vulnerability of these people is a result of several factors. Combined together, they represent a very large population under the threat of eviction. These people usually move out of the city or live in very bad conditions. Their profiling and vulnerability is defined as follows:

(1) Households who benefit from the old rent control arrangement: Old tenants (mainly elderly) who belong to a low-income group and spend all their income on basic needs, can't afford to buy a house, or pay new rent. Some of them do not have health insurance or any form of social security.

(2) Elderly tenants who spend their life savings on basic needs, medication, housing, or in some cases prefer to give their saving to their children so they can buy their apartments and not struggle with eviction like them.

(3) Unemployed tenants who can no longer afford to pay rent.

(4) Unemployed owners who acquired a PCH loan or direct installments and are no longer able to pay their debts (whether through the PCH or direct installments).

(5) Expats who were forcefully repatriated to Lebanon and are no longer able to pay their installements (whether through the PCH or direct installments).

Below are stories of residents who were evicted or struggling with eviction due to upcoming real-estate developments. These residents are the most vulnerable since most of them moved/are planning to move outside the city or live in very bad conditions. Their compensations are very minimal too so they can barely use these compensations to survive after the first years of eviction.

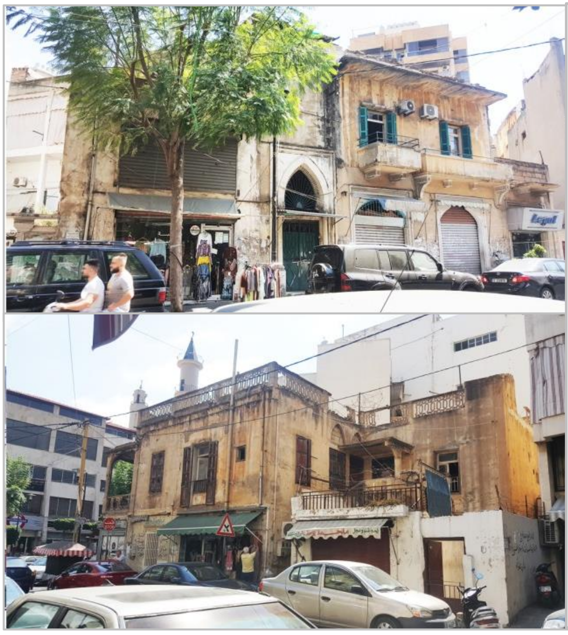
This building houses old tenants threatened to be evicted by banks. Banks retained property ownership over this building after a developer defaulted from paying. Every now and then, bank representatives visit this building with a new potential developer. The tenants were happy in the beginning since the developer defaulted from paying so they could stay longer, yet they are not sure when or who is going to evict them.

Figure 52: Story of an old building to be demolished

Clusters of Old Tenants

These small clusters currently house old tenants who might be evicted soon by the same developer. This developer used to live in the same neighborhood then moved out once he had enough money to do so. The clusters currently house people from different nationalities, mainly Lebanese, Syrian, and Palestinian. They also house some of his relatives (from his extended family). All residents are financially incapable of buying a house or pay new rent in TJ. Their children also play around the residual spaces in these clusters, so demolishing them will eliminate the last residual public spaces in the neighborhood.

Figure 53: Stories of clusters of old tenants



Local shops closing soon

The residents of these buildings were already evicted. Old tenants moved out, and very few dwellers know where they went. Old rent shops are expected to close down soon. The tenants of these local businesses are very old, so they have no other source of income, and no social security.

Figure 54: Stories of local shops closing soon

C. Conclusion

In sum, the chapter shows that the population of TJ is far from being homogenous. Although almost all new and old-time residents of TJ are Muslim Sunnis, they represent different income groups and different classes. Current public policies (PCH loans and building law amendments), and developers' interventions did not give access to housing to all of these groups, instead, they created competition between residents displacing each other, and became part of the gentrification processes of TJ. Even though the sample size of interviewed residents is not representative, we can estimate that the threatened population which belongs to a lower income group is greater than the group of residents who have access to housing in TJ. We can also estimate new residential pathways generated by public policy and developer's interventions as we see a repetitive migration patterns from TJ to Beirut suburbs and back into TJ. The estimate also shows a certain profile of residents of TJ: all of them are Muslim Sunnis from TJ who have networks in the area and have a sense of attachment to place, yet they are different in terms of income. Public policies and developer's intervention are intensifying the competition among these income groups by creating opportunities for residents to go to the suburbs then move back to TJ.

CHAPTER VII

CONCLUSION

A. Summary

This thesis aimed to explore how the financialization of the built environment materialized over the past 22 years in one of Beirut's low to middle income neighborhoods, Tariq el-Jdide. It did so mapping building development in the neighborhood over the course of the past two decades, tracing all the developments and profiling the developers who undertook their construction. The thesis also rapidly scoped the profiles of the residents who moved into these apartments to sketch an image of the effects of these new developments on the area. The thesis further analyzed the impact of two sets of public policies on building development: (1) the changes in the building law and (2) the introduction of housing loans.

The thesis shows that ongoing developments have triggered a process of gentrification in the neighborhood of Tariq el-Jdide by facilitating the displacement of low-income families and their replacement by slightly better off buyers. It did so, the thesis shows, while reproducing the same demographic profile of the population in terms of sect and political affiliations: all newcomers to the neighborhood are Muslim Sunni individuals and/or families and they mostly are aligned with the political movement that is known to control the neighborhood.

The thesis further shows that a critical aspect of the reproduction of this neighborhood as a sectarian/political territory occurs through the organization of building development: all developers are middle-aged or senior, Muslim Sunni men who were raised in the neighborhood and come from families in the area and the typically can demonstrate at least some level of social proximity to the political party controlling the area and/or to other influential religious figures in the area. These developers, in turn, further reproduce sectarianism by limiting access to housing to a very specific and homogeneous group of residents (same sect, class, age, gender). In sum, housing production and exchange operate within a very specific social framework of Beirut's territorialized sectarian neighborhoods, creating a segment of the market. These developers in turn sell to a specific group of residents: Muslim Sunni young couples and expats who were raised in Tariq el-Jdide.

It is noteworthy that residents in Tariq el-Jdide usually have a high sense of attachment to the neighborhood as traced in their migration patterns: They move out of Tariq el-Jdide to Beirut's suburbs (e.g. Bchamoun and Aramoun) looking for cheaper apartments, then move back to Tariq el-Jdide. Although there is a relatively high vacancy rate in the neighborhood's new buildings (15%), competition among residents of different income groups is intensified by developers who create opportunities for them to go to the suburbs then move back to Tariq el-Jdide. These opportunities are traced in developers' building activities: professional developers of TJ extend their building activity to other neighborhoods and suburbs that cater to middle and low income Muslim Sunni residents. Given the high prices of the market and people's need to secure shelter, residents who bought in new buildings had to give up on basic needs, while old time residents who belong to a lower income group were displaced by developers' intervention and current public policies.

To what extent can we say that bank loans extended to developers are financializing the housing sector? My findings show that developers of TJ rely essentially on forward payments directly secured from clients who typically trust them on the basis of their personal networks to finance building developments. While some of these developers have multiple means of financings, such as relying on silent investors, partnering with other developers (who belong to the same profile), and/or using liquidity generated from other trades, they still use forward payment and partnerships with landowners for risk minimization. Similarly, rather than securing loans from banks, residents "trust" developers and begin to pay installments years before they move in, consequently financing developments. This shifts the risk of development to clients while reducing the role of banks and/or other financial institutions in supporting homeownership.

As a result of these multiple financing schemes, housing bank loans for both developers (construction loans) and residents (PCH subsidized housing loans and Islamic bank loans) have had a very modest impact on the current urbanization of Tariq el-Jdide, with only 6% of new apartments purchased through PCH loans. Conversely, it is in the old buildings of Tariq el-Jdide that I found that around 80% of PCH loans were being used to facilitate housing acquisition. This financialization, although contributed much less to urbanization in TJ, may well be responsible for raising the prices of all apartments in the neighborhood, if we assume that the market is influenced by relative. How financialization materialized also shows that loans have assisted developers in capitalizing on the housing and real-estate market through higher prices, NOT through networks between banks and developers.

Conversely, the 646/2004 building law amendment played a powerful role in providing the incentive for developers to invest intensely in the market. The main article which created this incentive states the exclusion of certain zones in the building from the total allowable built up area, consequently allowing developers to build more and higher.

The first outcome is traced in the activities of old developers who started building intensely after 2004. Second, we trace a massive increase of permits issued in TJ in the few years following the passage of the law in 2004. Third, and more importantly, we trace an increase in the number of amateur unprofessional developers, who seeing opportunities for more lucrative investment, entered the market of Tariq el-Jdide after 2004, and built once or twice. The article which states an increase in the height (consequently number of units) of corner lots, also created competition between developers knowing that those who have strong political connections were able to snatch them and build more. This intensity and unprofessionalism in building activity consequently led to further displacement and lower quality new buildings on the one hand; while increasing housing supply on the other hand. Other restrictive amendments in the building law aimed to provide better quality buildings by forcing specific safety measures (7964/2012), and a more inclusive housing market by forcing developers to secure apartments for people with special needs. Although both laws aim to make the housing market more inclusive, safe and sustainable, developers choose to disregard them or use loopholes in the laws to bypass them. This reassures the need for such laws to be monitored, amended, and implemented.

In sum, the actually existing financialization in this market segment is subject to the effects of banking finance and building law, yet it is materializes differently within the segment's class and sect distinctions. It is hence heavily marked within segments that are more powerfully controlled as seen in the case of Tariq el-Jdide.

B. Replicability

Since the thesis and current literature suggest a segmented analysis of the market, we need to further study how financialization materializes in other segments of the city's market before drawing conclusions on Beirut. The methodology discussed throughout the thesis can be adopted to study financialization in different contexts, including other neighborhoods of Beirut. By various contexts, I mean first other neighborhoods of Beirut (currently under study at the *Beirut Urban Lab*), and second other market segments in cities that may be affected by sectarian, ethnic, racial, or class distinctions.

Since Beirut is known as a divided city, sectarian groups and/or political parties who control different neighborhoods might have created different market segments. For example, if we tend to compare how financialization materializes in different sectarian low to middle income neighborhoods of Beirut, we need to study how these processes occur in other sections of the city and its suburbs including Dahiye (known to be a low to middle income Muslim Shiite neighborhood), Bourj Abi Haidar (a low to middle income neighborhood that has constant clashes between several political parties), Beddawi (a low to middle income Lebanese Armenian neighborhood), and others. What is common about these neighborhoods is their classification as low to middle income neighborhoods with similar land prices and similar zoning regulations. If the aim is to compare how financialization occurs in different income neighborhoods of a similar sectarian background, we need to study neighborhoods such as Aisha Bakkar (middle to high income Muslim Sunni neighborhood), Sanayeh, or Koraytem (high income Muslim Sunni neighborhood). It is likely that the sect and class differences between these neighborhoods carry additional and/or different forces contributing to the segmentation of the market. Unraveling these processes of financialization can then inform housing policy at a city scale.

The replicability of findings can be extended further to segments of other cities of the Global South that share a similar case profile. This generalization however, does not eliminate the need to study the "actually existing financialization" in these neighborhoods. In Tariq el-Jdide, main actors involved in financialization of market segments are developers using existing public policies and networks to capitalize on the real-estate market and reproduce sectarianism. This bottom-up approach does not eliminate the need to study other actors involved in the market and their approaches. For example, nationality, religious, and racial discrimination are reproduced in the Israeli housing market through restrictive policies that prohibit selling to Palestinians. These practices are also constantly monitored by Israeli forces (Yiftachel 2006). This top-down approach suggests an extension of the forces we think of when studying financialization in different cities of the Global South.

C. Limitations

As planners who aim to create an affordable, inclusive, and equitable housing that ensures the right to housing to different groups, we need to look at the different market segments discussed earlier, and we need to think of the repercussions of current public policies on housing beyond displacement. Understanding how market segments work is clearly unraveling new readings of urban divisions. It shows that while studying the actual financialization of the built environment, we need as planners to reflect on the forces mastering these divisions. Since such forces can interfere with our work as planners, we should think of new approaches to solve issues of affordable housing. We also need to think of the limitations we face when trying to implement affordable housing schemes within an institutional framework that puts "markets" at the forefront of the housing discussion. As planners, we then need to consider new discourses that allow us to penetrate this market and create affordable housing.

BIBLIOGRAPHY

Aalbers, M. (2016) "The Financialization of Housing: A Political Economy Approach" *London and New York: Routledge*.

Bogaert, K. (2018) "Globalized Authoritarianism: Megaprojects, Slums, and Class Relations in Urban Morocco" *Globalization and Community*, 27.

Brenner, N., & Theodore, N. (2002) "Cities and the Geographies of "Actually Existing Neoliberalism."" *Antipode* 34(3): 349–379.

Bourdieu, P. (1999) "Understanding" in: *The Weight of the World.* Stanford: Stanford University Press, 607-626.

Brenner, N., Marcuse, P., & Mayer, M. (2012) "Cities for People, Not for Profit: Critical Urban Theory and the Right to the City" *Routledge.*

Buckley, R., & Kalarickal, J. (2006) "Thirty Years of World Bank Shelter Lending: What Have We Learned?" *Washington D.C.: World Bank.*

Bou Akar, H. (2018) "For the War Yet to Come. Planning Beirut's Frontiers" *CA: Stanford University Press.*

Colenutt, B. (1996) "Book Review: The City Builders: Property, Politics and Planning in London and NewYork by Susan Fainstein" The Town Planning Review, *Liverpool University Press*, vol. 67(1): 123-124

Creswell, J. (2009) "Research Design: Qualitative, Quantitative, and Mixed Methods Approaches" *London: SAGE.*

Deeb, L., & Harb, M. (2013) "Leisurely Islam: negotiating geography and morality in Shi 'ite South Beirut*"* *Princeton University Press*. Vol. 49

Du Toit, J. (2012) “A Typology of Designs for Social Rresearch in the Built Environment*” International Journal of Social Research Methodology*, 16 (2): 61-73.

El-Achkar, É. (1998) “Regulation and Urban Forms: The Case of Beirut.” *Ifpo presses*

Farah, J. (2011) “Socio-spatial differentiation and municipal governance in the suburbs of Beirut: through the example of Sahel AlMatn AlJanoubi and the municipalities of Chiyah, Ghobeiri and Furn AlChebbak” *University of Liege, Liege, Belgium*

Fawaz, M. (2004) “Strategizing for Housing: an Investigation of the Production and Regulation of Low-income Housing in the Suburbs of Beirut” PhD diss., *Massachusetts Institute of Technology*.

Fawaz, M. (2008) “An Unusual Clique of City-Makers: Social Networks in the Production of a Neighborhood in Beirut (1950–75).” *International Journal of Urban and Regional Research*, *32*(3), 565-585.

Fawaz, M. (2009) “Neoliberal Urbanity and the Right to the City: A View from Beirut's periphery” *Development and Change*, 40(5): 827-852.

Fawaz, M., & Salame, D. (2019) “The Need for Policies to Restore the Role of Land in the Making of Livable City”, *Issam Fares Institute for Public Policy and International Affairs*

Fainstein, S. (1994) “The City Builders: Property, Politics and Planning in London and NewYork” Studies in urban and social change, *Wiley-Blackwell*

Farthing, S. (2016) “Research Design in Urban Planning: a Student's Guide” *Los Angeles: SAGE.*

Fernandez, R., & Aalbers, M. B. (2016) “Housing and the Variations of Financialized Capitalism” *Competition & Change*, 20(2), 71-88.

Florida, R. (2005) “Cities and the Creative Class” *New York: Routledge.*

García, B., & Edith Jiménez, E. (1994) “Book chapter: Methodology for Land and Housing Market Analysis” *Routledge Ltd* 7: 88-101

Gebara, H., Khechen, M., & Marot, B. (2016) “Mapping New Constructions in Beirut (2000-2013)” *Jadaliyya* November 16, 2016

Harvey, D. (1992) “Social Justice, Postmodernism, and the City*,” International Journal of Urban and Regional Research*, 16: 588-601.

Harvey, D. (2003) “The Right to the City*,” International Journal of Urban and Regional Research*, 24(4): 939-941.

Krijnen, M., De Beukelaer, C. (2015) “Capital, State and Conflict: The various drivers of diverse gentrification processes in Beirut, Lebanon” Lees L, Shin HB, and López-Morales E (eds.), *Global Gentrifications: Uneven Development and Displacement*: 285–309.

Krijnen, M. (2016) “The Urban Transformation of Beirut: an Investigation into the Movement of Capital”, PhD diss., *Ghent University*.

Krijnen, M., & Fawaz, M. (2010) “Exception as the rule: High-end developments in neoliberal Beirut”. *Built Environment*, 36(2), 245-259.

Lees, L. (2008) “Gentrification and Social Mixing: Towards an urban renaissance?” *Urban Studies* 45(12): 2449–2470.

Ley, D. (1986) “Alternative Explanations for Inner City Gentrification: a Canadian assessment” *Annals of the Association of American Geographers* 76: 521-535.

Lopes de Souza, M. (2001) “The Brazilian Way of Conquering the Right to the City,” *DISP*, 147: 25-31.

Makdisi, U. (2000) “The Culture of Sectarianism: Community, History, and Violence in Nineteenth-Century Ottoman Lebanon.” *Univ of California Press.*

Marot, B. (2018) “Developing Post-war Beirut (1990-2016): the Political Economy of ‘Pegged Urbanization”, PhD diss., *McGill University*.

Marrouch, W. (2017)”Financialization and its Capital Flows” *The Financialization of Housing and Real Estate in Lebanon.*

Nucho, J. R. (2016) “Everyday Sectarianism in Urban Lebanon: Infrastructures, Public Services, and Power” *Princeton University Press*.

Peck, J. (2005) “Struggling with the Creative Class” *International Journal of Urban and Regional Research* 29(4): 740-770.

Public Works (2017) “Visualizing Beirut from the Stories of its Tenants - Part 2” *Public Works Studio, Beirut.*

Rolnik, R. (2013) “Late Neoliberalism: The Financialization of Homeownership and Housing Rights” *International Journal of Urban and Regional Research*, 37(3): 1058–1066.

Schteingart, M. (1989) “Los Productores del Espacio Habitable, Estado, Empresa y Sociedad en la Ciudad de Mexico” *México DF: El Colegio de México*.

Smith, N. (1979) “Toward a Theory of Gentrification: A back to the city movement by capital not people” *Journal of the American Planners Association* 45:538-548.

Topalov, C. (1975) “Los agentes urbanos y la producción de viviend” *Documentos de Análisis Urbanos 3, Departamento de Geografía de la Universidad Autónoma de Barcelona, Bellaterra.*

Topalov, C. (1979) “La urbanización capitalista: algunos elementos para su análisis” *México DF: Edicol.*

World Bank (1994) “Housing : enabling markets to work : Vivienda : un entorno propicio para el mercado habitacional (Spanish)”, A World Bank policy paper, *Washington, DC: World Bank*.

Yiftachel, O. (2006) “Ethnocracy: Land and identity politics in Israel/Palestine.” *University of Pennsylvania Press.*

Yiftachel, O. (2006) “Re-engaging Planning Theory? Towards south-eastern perspectives” *Planning Theory,* 5, pp. 211-222.