

AMERICAN UNIVERSITY OF BEIRUT

HOUSING PRODUCTION IN UNEVEN URBAN QUARTERS
*TWO CASE STUDIES FROM BEIRUT (LEBANON):
AICHA BAKKAR AND TALLET EL KHAYYAT*

by
ABIR BASSAM ZAATARI

A thesis
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for the degree of Master of Urban Planning and Policy
to the Department of Architecture and Design
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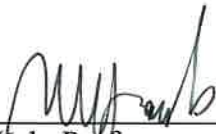
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AN ABSTRACT OF THE THESIS OF

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Two Case Studies from Beirut (Lebanon): Aicha Bakkar and Tallet El Khayyat

Housing production in Beirut's post-war period has been governed by the pro-growth "*enabling of the market*" rationale that follows the World Bank's dogma of the 1990s. While this rationale has been locally promoted for its effectiveness in securing access to housing and sometimes also for employment generation and inclusive economic development, this study shows that its implementation was far from matching such claims. Instead, the thesis argues that post-war policies, specifically *Building Law 646/2004* and *subsidized housing loans by Public Corporation of Housing*, have enormously influenced housing production in the city by promoting speculative practices that work against inclusiveness. To assess the impact of these policies on the production of housing in Beirut, the thesis combines a longitudinal and actors-centered approach comparing development activities in two adjacent neighborhoods of the city, Aicha Bakkar and Tallet El Khayyat. The two neighborhoods display distinct class differences, while they maintain relatively similar positions in the city's historical sectarian divisions. The thesis explores the materialization of these policies comparatively in the two neighborhoods.

The thesis begins by documenting the way in which the production of residential buildings in Beirut reproduces socio-spatial inequalities in the city, both economic and religious. It shows that processes of urban production follow path dependent trajectories where property ownership patterns, land subdivisions, building development, financing, and exchange are strongly shaped by neighborhood-scale institutions. These processes, in turn, create opportunities for specific developers in each of these neighborhoods. Thus, in Aicha Bakkar, successful developers were those who consolidated their roles by tapping on existing social and institutional hierarchies such as family groupings, religious organizations, and more. Conversely, in Tallet el Khayyat, successful developers were more often those who could tap on the power of capital, meaning bank and private investments placed in the building sector. The thesis documents the differences between these two forms of development, the actors involved in them, the housing product (e.g. apartment sizes, finishes), building morphologies, and more. Exploring finally the materialization of the two above-listed policies on the neighborhood, the thesis shows that while their impact is similar in encouraging access to homeownership, densification, and intensive building activities, the impacts of the change in regulation are more intensively felt in the lower income neighborhoods. There, development often triggered

displacements and encouraged the development of high-risk development activities that often left both homebuyers and developers in precarious conditions.

This study is part of a larger work conducted in the Beirut Urban Lab, that relies on Geographic Information System (GIS) framework for gathering and analyzing buildings developed in the neighborhood (1996-2018), in-depth interviews with real estate developers and residents, research of public policies (Building Law and Subsidized Housing Loans), and analysis of historical aerial photographs.

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CHAPTER 1

INTRODUCTION

A. The Commodification of Housing Production in Urban Contexts

In the past two decades, the notion of financialization¹ emerged in numerous studies that examine how everyday structures and needs have been commodified, thus impeding upon daily practices and the social value of universal basic needs (Aalbers, 2016; Brenner & Theodore, 2002; Marot, 2018; Krijnen, 2016; Erol, 2019). Through the discourse on financialization, housing production is considered one of its defining characteristics mainly because of the high collateral quality of land (Aalbers, 2016). Accordingly, capital switching into the real estate market, inflation of housing prices, and the increased involvement of the banking sector in the production of housing were considered by scholars as the main indicators of housing financialization in cities across the Global North and South (Aalbers, Gentrification, 2010; Marot, 2018; Krijnen, 2016). Scholars took the pro-growth paradigm shift fostered by the World Bank as the prevalent explanation for synchronized financialization trends that emerged across different cities around the globe in the late 1980s. They argued that the World Bank advocated the market oriented approach for shelter acquisition through increasing its shelter lending programs and fostering the establishment of a regulatory and institutional base that would *regulate consumers conduct*, liberate and expand the role of financial markets in the housing

¹ Financialization is defined by Aalbers (2016) as the increasing dominance of financial actors, market practices, measurements, and narratives, at various scales, resulting in a structural transformation of economies, firms, states and households (Aalbers, 2016)

market, and encourage them to generate more financial resources (Aalbers, 2016; Gracia & Jimenez, 1994; Buckley, 1994).

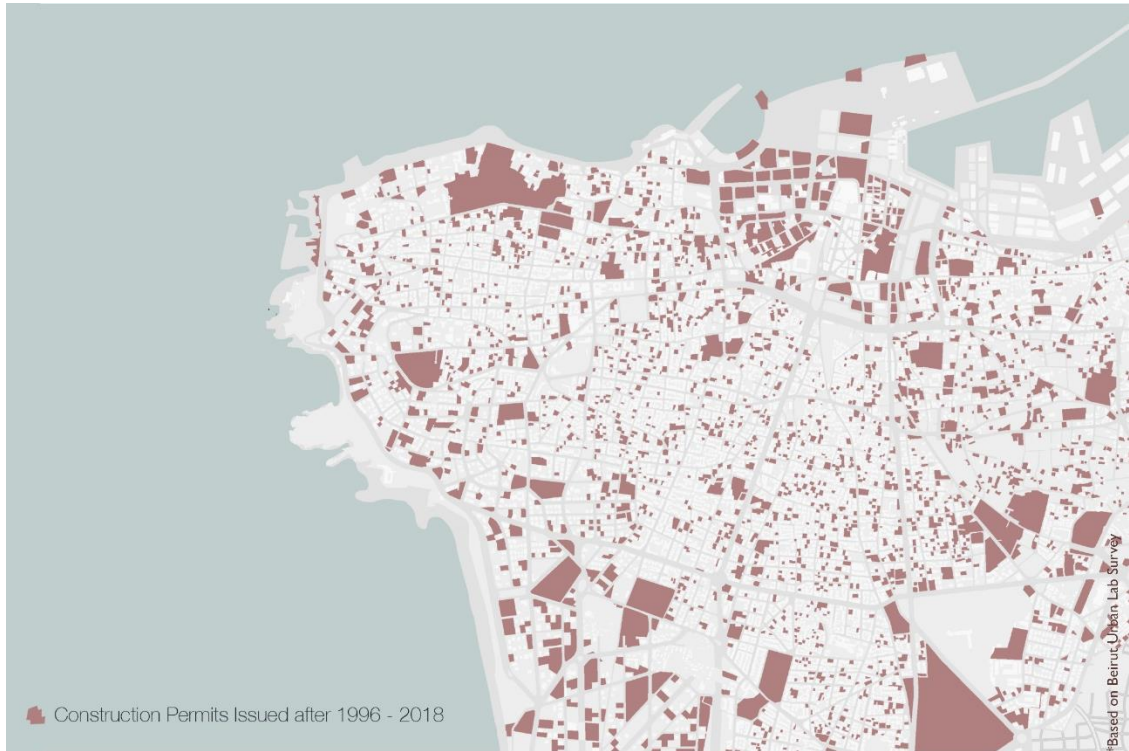


Figure 1 Construction Permits in Beirut (1996-2018)
Source: Author, based on data obtained from the Beirut Urban Lab

Meanwhile in the Lebanese context, as the state emerged from 15 years of civil war, reconstruction strategies centered on the premise of “*boosting the economy*” and enabling the market, amidst a withdrawal of the government from its welfare role, including in housing provision. The Lebanese state, which instantly caught up with the global neoliberal trend, had a great role in reinforcing an understanding of housing as a commodity, mainly through supporting the process of housing production by for-profit agents, zoning controls, planning controls, regulations, and institution building. This translated into an unprecedented amount of market driven land development and short-term bursts of real estate activity that has intensively changed the urban fabric of the city

(Figure 1). With each market slowdown, different state agencies (Central Bank, Parliament, etc.) devised a set of laws and decrees to reactivate the real estate industry, as this sector takes up an important share of the economy in the country. While the adopted scheme, was initially designed to provide more housing units for lower and lower middle income groups, it eventually led to a sharp increase in housing prices rather than an increase in the affordable housing stock (Buckley & Kalarickal, 2006; Fawaz, 2016). Consequently, Beirut's urban landscape witnessed an inflation of property asset prices, large-scale demolition of low-rise buildings and their replacement by high-end high rises in several neighborhoods of the city (Ashkar, 2013; Krijnen & Fawaz, 2010; Marot, 2018).

The ways through which urban transformation is happening in post war Beirut (1990-present) have been widely researched and debated. Krijnen (2016) argues that housing production in Beirut is linked to capital accumulation processes, through the rechanneling of capital from primary circuits to the urban landscape. She shows that changes in the legal framework for the creation of a rent gap that would incentivize capital investment in the built environment was necessary. Therefore, existing laws such as rent control, and heritage preservation were depressed and contrasted by successive changes in the building law latest being in 2004, which generated variable degrees of rent gap across the city. This has consequently channeled real estate agents to neighborhoods with higher rent gaps. Tierney (2017) links housing production in Beirut to the transnational financial circulations from Arab Gulf investors and Lebanese diaspora. She argues that the banking sector- managed by the Central Bank and financed by sovereign debt, had a major role in vitalizing the real estate sector in spite of instability and empty apartments under the

constructed discourse of resiliency of the banking and real estate sector. Finally, Marot (2018) argues that the property market operates as an institution of regulation governed by a network of elite city builders. The financing and the functioning of the system rests on the objectives of stimulating growth and securing short term monetary and financial stability.

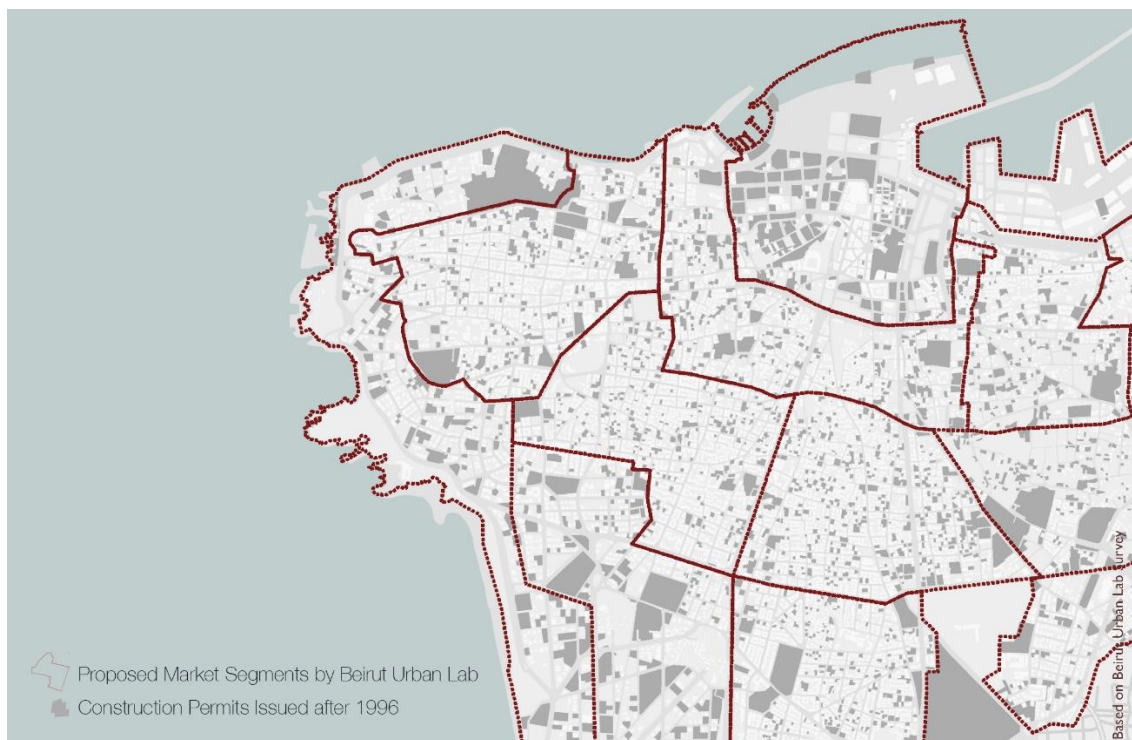


Figure 2 Proposed Housing Market Segments by Beirut Urban Lab
Source: Author, data obtained from Beirut Urban Lab

Although such studies shed a wealth of insight on the role of financial tools in contemporary urban change in Beirut, they fail, to fully integrate the importance of local processes. They reproduce an abstract narrative of capital accumulation that is blind to the local forces that shape the everyday of the city (**Figure 2**). This all-encompassing explanation on how housing is produced in Beirut, marginalizes the role of locally constructed (e.g. sectarian, kin) networks as important forces of housing production and

urban change. Additionally, what most of these studies have shown is that urban production in Beirut materializes through elitist networks and tendencies rendering local actors as impotent agents in Beirut's housing markets. They have therefore dismissed the role of other agents who are not only historically and geographically rooted, but they also take an active part in shaping the context they are embedded in. This calls for deeper consideration of local conventions and actors in explaining the intensity and patterns of neighborhood development.

This study is part of a larger work conducted in the Beirut Urban Lab which challenges the assumption of a seamless housing market across contexts or the replicability of unedited versions of the same housing scenarios that was demonstrated in earlier studies on Beirut's housing market (Krijnen, 2016; Tierney, 2017; Marot, 2018). While recognizing the increasing commercialization of land, the study relocates financialization within a thick web of social forces (e.g. religious, sectarian, associational, kin) governing the development market in this neighborhood and reinstates the role of market agents who are historically and geographically rooted and continuously shape the context they are embedded in. More generally, this study argues for the necessity to inscribe market dynamics within the specific forces organizing cities and their neighborhoods, consequently unravelling the "actually-existing" patterns of financialization (Fawaz, forthcoming).

To demonstrate how financialization materializes in different contexts, this thesis approaches housing production in the city by taking two adjacent neighborhoods; Aicha Bakkar and Tallet el Khayyat (**Figure 3**) and accounting for the local variables within these two neighborhoods that have determined their development patterns, and the opportunities created for different actors to produce housing. My approach in this thesis is to develop a comparative

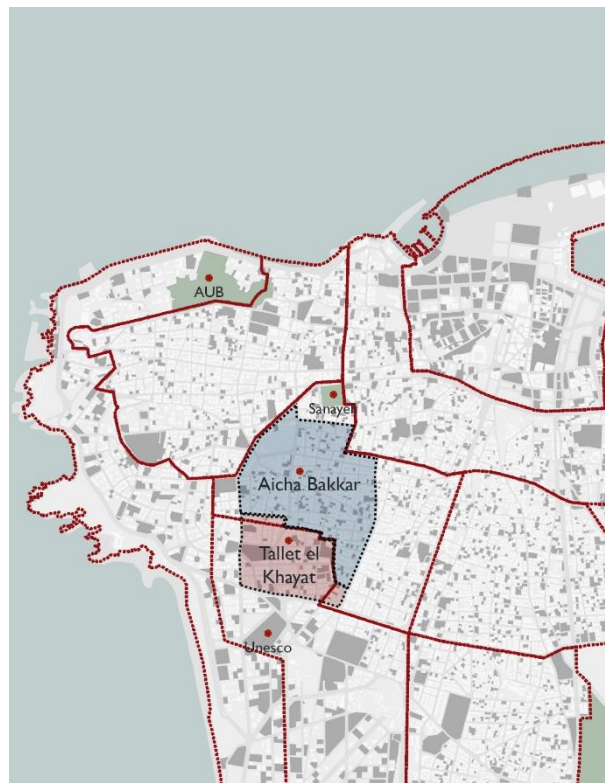


Figure 3 Location Map: Neighborhood of Aicha Bakkar and Tallet El Khayyat, Beirut (Lebanon)
Source: Author

analysis of two adjacent neighborhoods that developed in different contexts and to understand the complex social, religious/sectarian and land ownership factors that determined their development and determine today's housing production in the two neighborhoods. This perspective accounts for the local influence of politics, sectarianism and zoning law. It also shows that developers are not simplistic and undifferentiated agents inevitably drawn to optimal rent-gap locations (Brandsen, 2001). This study complements the existing literature on the ways in which financialization has materialized in Beirut.

B. Thesis Question, Argument, & Contributions

This thesis examines the patterns through which housing production materializes in Aicha Bakkar and Tallet El Khayyat (Beirut, Lebanon) in relation to changes in the legal planning and policy frameworks. I ask:

What are the actually-existing manifestations of the financialization of land in Aicha Bakkar and Tallet el Khayyat? Who are the main developers currently involved in the production of housing in the neighborhoods? How do their individual and company profiles differ? What market strategies and sources of financing do they rely on?

What were the implications of *Building Law 646/2004* and Housing Loans subsidized by the *Public Corporation of Housing (PCH)* on the two neighborhoods? How influential were these policies in promoting affordability and the possibility for specific developers to operate and not others? What does this tell us about the social organization of the neighborhood and more generally urban production in Beirut?

This study shows that the distinctions between the two neighborhoods are reproduced by the market agents and state policies that materialize in different forms across the two neighborhoods. Two arguments are made in this thesis:

First, that the disposition of Aicha Bakkar as a Sunni low-middle income neighborhood and Tallet El Khayyat as an upper income neighborhood are embedded in historical institutional and landownership transformations that emanate from their respective trajectories of urban production and growth. I argue that these historical conditions are still playing a significant role today on housing production and

development in the two neighborhoods by creating opportunities for specific developers, highlighting hence the importance of path dependency.

Second, that post-war policies, specifically Building Law 646/2004 and subsidized housing loans by Public Corporation of Housing have enormously influenced housing production in the two neighborhoods by promoting speculative practices, intensifying building activities, reducing purchase power of apartments, and triggering displacement. Those impacts were more intensively felt in lower income neighborhoods by placing both unprofessional developers and lower middle-income clients at much higher risk of financial precarity

This study shows that the simplistic supply-demand approach to policy making that does not account for local forces and processes, have actually been counterfeiting, and had tremendous speculative implications on neighborhoods, mostly old low-income neighborhoods. It also shows that financialization of land manifests itself differently within local contexts of the city of Beirut, rather than being all-encompassing across Lebanon's capital city, let alone across cities around the world.

1. Objectives & Significance

I expect this thesis to make at least four contributions to policy making and to urban planning literature:

- a. A contribution to the body of knowledge on the actually-existing financialization of land in Beirut

The following study is a contribution to the body of knowledge on the actually-existing financialization of housing production in Beirut. This study departs from the

assumption of a seamless market and recognizes the need to conduct more studies on different market segments and neighborhoods. Urban planning law in Lebanon lacks relevant tools that would address urbanization in an equitable and fair manner. It therefore aims to inform planners in attempt of generating and promoting more equitable policies of contextually specific conditions of housing production in different neighborhoods in Beirut.

b. In depth understanding and analysis of the evolution of the building and housing policies:

Policy making in Lebanon is considerably based on the simplistic supply-demand understanding of the market with a lack of interest in specifying historical processes that shape change in housing production. This thesis will provide an in depth understanding of the implications of the building law and housing finance policies by taking a closer look on the evolution of the regulatory framework and analyzing the repercussions of the issued decrees throughout the past three decades. It is an exploratory attempt in stimulating further debate on the neoclassical approach of policy making. As this will be further substantiated by empirical evidence from the site, this study aims to inform policy makers of the manifested shortcomings of the neoclassical and laissez-faire approach.

c. A contribution to urban ethnography: Empirical study of Aicha Bakkar & Tallet El Khayyat

This study will fill the empirical gap on the issue of urban change in the city of Beirut. Since no previous urban studies have been conducted on the neighborhoods of Aicha Bakkar or Tallet El Khayyat, this thesis will extend our knowledge of urban production

in Beirut through providing substantial empirical and analytical data of Beiruti neighborhoods in relation to urban change and gentrification.

d. Documenting Experiences from the Global South

As more attention is currently being given to postcolonial urban theory, planners are encouraged to document experiences of cities in the Global South, and to expand the number of case studies to understand the dynamics of urban production in Southern cities (Krijnen, 2016). Thus, this study will add to the existing urban literature in the explanation and conceptualization of increasingly financialized urbanization processes in the Global South (Marot, 2018).

C. Literature Review

In this section, I provide the theoretical framework that has informed the way I analyzed and interpreted my findings. This section comprises four theoretical lenses through which this thesis is positioned. First, I outline the path dependency in housing policy making highlighting the crucial role of the state in setting how housing is produced. Second, I present the different theorization on how housing markets should be studied emphasizing on the importance of looking at housing actors (developers) and their relation to policy making. Then I look at emergence of housing finance and its relation to the wider trends of housing finance globally. Finally, I brief on the relation between housing production, comfort zones and religiosity/sectarianism.

1. Path Dependency in Housing Policy Making

Neoliberal reforms are often embedded by legacies of failed governmental frameworks, regulatory practices, and policy regimes. Housing and planning policies have changed considerably since the 1950s following the adopted economic policies under each government (Kusnetzoff, 1990). To understand the current role/position adopted by today's neoliberal governments, I will present in the section below the different roles adopted by the state since the 1950s reaching to the current moment in relation to housing provision. This will provide a better understanding of the logic behind states' current withdrawal, in relation to the structural and policy reforms leading to the present condition.

a. Changing Role of the State: From Housing Provider to Enablers of the Market

Housing production cannot be understood as a natural indefinite process driven by its own set of rules. It is rather shaped by a set of socio-economic and policy decisions *within a certain context* (Aalbers, 2016). This carries us through to the 1940s, when population had increased drastically due to improved medical and health services (Koenigsberger, 1986). Heavy administrative controls on rural urban movement were lifted as Third World countries transitioned from colonialism to independence. Consequently, rural workers rushed into cities for better job opportunities, education, and superior health facilities. This was further exacerbated by the Green revolution², which relied heavily on machineries, thus decreasing the need for rural workers (Sivam, Evans, & King, 2001; Gilbert, 2000). The structure of the city in its buildings and infrastructure, couldn't

² The **Green Revolution** refers to a set of research and the development of [technology transfer](#) initiatives occurring in 1950s that increased agricultural production worldwide, particularly in the developing world.

accommodate the rapid increase in population leading to housing shortage and other housing issues such as poor sanitation, lack of infrastructure, poor quality of construction material (Aalbers, 2016). Governments, decolonized and independent, were inspired by welfare state notions of the west, and the recent declaration to *the right to adequate housing* by the Universal Declaration of Human Rights in 1948. Therefore, they took bold and brave steps by securing shelter to low income groups mainly through the *construction of mass public housing units* and other *subsidized housing schemes*. The government in Kenya for example, established the National Housing Corporation in the 1960s who took over the responsibility of constructing about 2,000 public housing units per year. Similarly, the ministry of housing in Chile set a plan to construct 30,000 units per year. Governments also launched programs to eradicate slums which were considered as “a man-made disaster”. Later in the 1960s, the public housing projects couldn’t meet the growing demand for housing. The constructed units were beyond the financial capacity of the poor and were thereby either stigmatized or exploited by middle and upper income groups (Koenigsberger, 1986). Slum eradication plans turned out to be self-defeating as it increased the housing shortage rather than eradicating the problem.

By the early 1970s, new attempts emerged to solve the housing challenge after the apparent failure of public housing schemes to meet the needs and heightened demand of the poor. Triggered by John Turner, Habitat I in Vancouver (1976) declared informal housing as a legitimate mode of housing production and acquisition (Fawaz, 2004). Subsequently, governments receded from the provision of housing, and embarked upon slum upgrading projects which turned out to be overbearing and impractical. So instead, they shifted into sites and services schemes by providing land for the poor to build their

houses on, and the needed infrastructure services such as sewers network, water, etc. The World Bank encouraged this approach by attributing a big section of its lending schemes to site and services projects in different African countries, as well as in Latin America and Asia (Buckley & Kalarickal, 2006). This reduced the financial burden on the government since the construction of the housing unit was now the sole responsibility of the dweller, while the government's role was limited to providing land, infrastructure and overseeing the construction process. Again, since the poor did not have access to material or financial resources to construct their houses, these projects were exploited by upper income groups. While some site and services projects turned into gated communities for the rich, the lack of structural reforms and clear policy framework led to the degradation of the poorer neighborhoods due to overcrowding and lack of maintenance (Pichler Milanovich, 1994; Koenigsberger, 1986).

By the late 1980s, banks had withdrawn from sites and services schemes and greater focus was placed on dealing with policy issues and regulatory reforms. Greater evidence was established on the failure of nonmarket approaches to the provision of housing which lead to an increase in market-oriented approaches. The collapse of the Soviet Union in the 1990s led to structural reforms and the adoption of neoliberal policies. The rationale behind this is that it would lead to more housing construction activity which would consequently reduce the burden on public funds (Sivam, Evans, & King, 2001; Aalbers, 2016). The World Bank issued its last review of *Housing Policy: Enabling the Market to Work* in 1993 stressing on the importance of the housing sector for the economy, and setting guidelines for governments on how to best design suitable policies (Buckley & Kalarickal, 2006). The World Bank (2006) explained that “*inappropriate state*

interventions stifle the sector, block supply and frustrate demand, reduce quality and choice, increase costs and damage the economy as a whole". As such, we started seeing a greater and strong reliance on an active private sector, targeted state interventions to incentivize the development activity of the private sector, and a complete withdrawal of the government from its role in directly investing in housing programs. This, we can argue, has consequently led to speculations and the increase in land and housing prices.

Our understanding of housing has changed over the past 6 decades. It has to a larger extent been shaped by the housing policies set in place and vice versa. It is notable however, that the prevailing trend since the 1960s, is to disable the state, to limit its role in housing provision, and to enforce the predicament of the inevitability of the market. Nonetheless, it is now visible that housing supply has become constrained and, *with a lack of affordable financial tools and disposable building land, the increase in house prices became the most important side effect of these housing reforms* (Milanovich, 2001). In sum, the role of state agencies has shifted from provider to enabler, but the increased financialization of land and housing have rendered state policies at best ineffective when it comes to housing the poor. Current policy reforms have therefore increasingly stressed on the importance of the private sector's role and homeownership as the only solution for housing tenure. The logic behind this shift is that the financial lending systems rely mostly on people's interest in homeownership as the only solution to housing tenure.

The question remains whether we should accept the logic of the market in the first place as the main provider of housing? Should we accept the withdrawal of the state in

directly investing in housing provision schemes? What are the policies, institutional, and structural frameworks, that would ensure the better functioning of the state's role, and that its housing provisions will not be exploited by richer communities? How is the way forward?

2. Methodologies & Frameworks in Studying Land and Housing Markets

This part outlines the three methodological approaches for studying housing markets and market actors. I will particularly look at the *neoclassical approach*, *institutional approach*, and *political economy approach*. Each methodological approach is rooted in a set of conjectures and assumptions that steer research analysis into a different direction. This review attempts to show the underlying importance of designing methodologies to get accurate and decisive findings that can inform policy recommendations in a way that would respond to the empirical problems rooted in specific contexts and historical moments. It serves as a necessary methodological guidance for my investigation on the relation between path dependent changes in the practices of developers and related spatial, institutional, and political-economic change in the city of Beirut.

a. The Neoclassical Economic Model

The neoclassical economic approach historically dominated approaches to studying land and housing market studies prior to the 1990s, allowing very narrow margins for alternative models (Brandsen, 2001; Molotch, 1993; Ward & Jones, 1994). Neoclassical economics embeds the distribution, supply of land, and pricing mechanism in markets through supply and demand and profit maximization rationale. Researchers pulled out from the supply and demand curves the factors that determine prices, land supply quality

and quantity, and housing tenure options (Fawaz, 2004; Dowall, 1991). This is because neoclassical economics rests on the premise that a “*predictive model*” can explain the economic behavior of the market. Dugger (1994, p. 337) defines the “*predictive model*” as the “*logical deduction from a fundamental postulate of assumptions*”. In other words, neoclassicists can only infer implications and “*predictions*” from a preset of assumptions that they have to construct first (Dugger, 1994). Once these assumptions are set, predictive outcomes are generated easily with little elaboration and can be replicated in different economic contexts. Neoclassicists hinge their studies on four main *assumptions* that determine their readings and analysis of all markets:

The “*self-regulating*” tendency of the market meaning that it can reach supply to demand equilibrium naturally, without extrinsic interventions (Marot, 2018). Neoclassicists assume that controlled land production and distribution impedes market efficiency, disrupt the supply demand equilibrium, and incurs unfavorable conditions on market prices (Dowall, 1991).

The property market is a competitive mechanism. Competition in property market sets land prices and land distribution mechanisms, making evident the natural dynamics of supply to demand (Dowall, 1991). Competitiveness basically involves land distribution according to highest payable price mechanism. It is essential for market efficiency and balance and leads to intensive real estate and construction activity.

Market actors behave in a rational and self-interested way. Land market agents’ decision-making process is limited to profit maximizing rationale. They are presented as fragmented impotent agents, isolated from their context, driven by external forces that

they have no influence over, and fully dependent on the market logic of supply and demand (Ward & Jones, 1994; Brandsen, 2001; Marot, 2018).

Information on land is collected and disseminated equally in the market giving equal chances for land acquisition and distribution to all actors involved. This assumed transparency makes markets more efficient, reduces risks on developers, and balances profits.

Policies under the neoclassical model focus on intensifying land market activity to realize market efficiency, fulfill supply-demand balance, and maximize profit. Neoclassicists are mostly inclined towards *laissez-faire* policies which calls for lifting control over the market, less state intervention and regulation, and more activity in the market (Marot, 2018). Studies under the neoclassical approach provided clear guidelines and criteria for achieving profit maximization and land valorization (Shoup, 1994). Policies might also involve devising database systems (transparency) that provide reliable and up-to-date information on prices, land, the operation of the property market, etc. (Dowall, 1991). Namely, most studies prior to the 1990s including the World Bank's successive studies and lending schemes for the land and housing markets reaching to the latest review of the *New Urban Management Programme* in 1990 and *Housing Policy: Enabling the Market to Work* in 1993 were heavily informed by the neoclassical economic approach (Ward & Jones, 1994). The concluding policy recommendations of the World Bank brought in a paradigm shift in global economy which stressed on the “*rolling back of the state*”, while putting private actors in the housing markets at the forefront and promoting notions of efficiency and growth.

Researchers, captivated by the merit of the scientific rational methodology, often dismissed to question the singularity of the process and the orthodoxy of the outcomes and policy prescriptions. Despite the appeal to the traditional neoclassical approach due to its replicability in different economic contexts, its “*theoretical elegance, and multivariate modelling*” (Ward & Jones, 1994, p. 10; Brandsen, 2001), researchers compellingly diverged from this approach due to many shortcomings, among which was its lack of empirical validity, socio-political criteria and considerations, in addition to lack of sensitivity to the economic and political reality in most contexts.

One of the main shortcomings of the neoclassical model is that it **reduces actors to profit maximizing impotent agents** in housing markets assuming that they act according profit maximization schemes and are subject to forces beyond their control. Brandsen (2006) argues that market agents are not only historically and geographically rooted, but they also take an active part in shaping the context they are embedded in. Market actors have the ability to shape economic relationships that condition their behavior by engaging in the design of market rules, financing systems, etc. Brandsen (2001) adds that under the stated rational both under socialized and over socialized actors would compete over land resources using similar trajectories. Additionally, reducing agents’ rationality to profit maximization demonstrates a lack of understanding of the complexity of individual motivation, specificity, and contingency.

b. The Institutional Approach

North (1994, p. 359) defines institutions as “*humanly devised constraints that structure human interaction*”. Institutions comprise “*formal constraints*” such as rules,

laws, constitutions, etc., “*informal constraints*” like norms of behavior, conventions, codes of conduct, etc., and their “*enforcement mechanisms*” (court, authority, etc.). Together they add up to form an *incentive structure* for economic and social interaction (North, 1994). The institutional approach re-inscribes the centrality of institutions for the functioning of the market. It dismisses the neoclassical assumption of a “*self-adjusting*” free market, whereby they rather argue that market behavior is determined by local institutions whose role is to organize, control, and direct market tendencies (Tierney, 2017). The theory stems from an assumption that the high transaction cost of unregulated markets makes them less attractive and impedes their efficiency. Therefore, governments’ essential role is to ameliorate efficiency of market failures through different institutional considerations (Ward & Jones, 1994). Like neoclassicists, institutionalists consider a market to be efficient when competition is strong, when transaction is costless, and when market agents are able to realize expected gains and profits. Unlike the neoclassical approach, the institutional approach hinges the “*approximate zero-transaction-cost*” conditions to a strong arbitrary and information institutional system (North, 1994).

Instead, institutionalists approach land and housing markets through two main frameworks. **First**, through examining the *relation between structure and agency*, where: **Structure** construes formal and informal institutional obligations that evoke distinctive patterns of development processes in particular periods (Fawaz, 2004). Institutional and social structures are subject to hierarchal changes over time in a given social field (Bourdieu, 1994).

Agency comprises the way market agents employ formal and informal institutions to sustain their activity, reduce risk, increase security, and access finance in a given social field. Individual behavior is understood in reference to noneconomic political, cultural, and ideological forces which extend beyond the neoclassical profit maximization rationale (Fawaz, 2004; Marot, 2018). Behavior might include patterns of ownership, discretionary practices, production of land through illegal practices, etc.

Second, institutionalists examine the behavior of market agents under *place and process-based perspectives*. **Place and time-based perspectives** depicts the embeddedness of housing market agents' behavior in context specific political, economic, social and cultural institutions. Bourdieu (1994) terms this context as “*social fields*”. A social field is the context that brings together asymmetrical relations between social agents engaged in the process of urban production (Fawaz, 2004).

Policy recommendations generated from the institutional approach are often focused on ensuring effective land management to facilitate the operation and the efficiency of the private market (Ward & Jones, 1994). As presented earlier, institutionalists preset that market supply mechanisms are blocked. The effective design of institutions (mainly by governments) and the development of administrative capacities and regulatory measures would consequently ameliorate market performance and activity. Studies have put forth a wide range of recommendations including “**regularization**” of illegal or clouded land titles, speculation control of land, effective land registration, financial institutions, etc.

Nonetheless, the policies implied by the institutional approach have in some cases fell short in addressing housing and land market issues, of which:

Insensitive regulatory controls based on false perceptions of the informal economy. Institutionalists might undermine the practicality and underlying benefit of the informal market. Consequently, constant attempts to formalize these markets through excessive regulatory controls might eventually impede the supply of land, market efficiency, compromise the actual benefits of the unregulated market, and incur undesirable costs on less advantaged groups (Ward & Jones, 1994).

Welfare and equity are addressed by institutionalist through pro-growth assumptions and trickle-down concepts, which rests on the belief that market growth and urban productivity will eventually trickle down and benefit less advantaged groups. Conversely, it has been verified that urban productivity dismisses issues of welfare and equity in favor of growth.

Politicization of institutional arrangements which remain solely in the hands of politicians. Governments' often respond to the generated findings according to the governing political agenda, which raises great concerns regarding the underlying motives behind some of the institutional arrangements (Ward & Jones, 1994).

c. Political Economy: An Actor Centered Approach

The political economy model re-inscribes the mechanisms of housing production and exchange in their social and political contexts builds on the assumption that space and urban production are socially constructed, and therefore it is essential to study actors involved in land market to understand urban production. This approach acknowledges that the economy and its corresponding spatial arrangements are subject to change. Molotch (1993, p. 31) provides an excellent explanation of what urban political economy

refers to. “*Urban political economy is the link between social organization and economic activity as mediated by earthly resources, particularly in the settlements where production, distribution, and consumption produce noticeable densities of human activity*”. He explains that the economy, its related geographic location, and consequential urban arrangements are all bound to social forces and embeddedness. Therefore, it is impossible to understand urban production through passive spatial analysis, “*distilled*” from human agency and its social context. Economic forces are thus mediated by an overlap of historical and contextual social practices thus provoking new meaning in the process of land production (Gracia & Jimenez, 1994). Although this methodology might seem less appealing since it is less easy to replicate and adapt to other contexts, its strength lies in the reliability of findings, its longitudinal and comparative perspectives, and an indication of where possibilities of action and policy recommendation might work. The political economy model has most often inspired approaches that study housing through the below three main elements and frameworks:

Actors centered: According to Ward & Jones (1994), the conceptual framework of the actors centered approach is rooted in Max Weber’s sociological conception of the economic phenomena. The approach assumes that the economic system/market is rather composed of actors and institutions, and therefore economic activity is necessarily a social activity. Actors’ role is rather decisive in determining urban production processes. Accordingly, studies of the market should focus on the interaction between these actors and not on the market systems of supply and demand. Weber also considered institutions an integral part of the actors’ environment as it influences their behavior and decision-making processes. Space, as defined by Lefebvre (1991) is produced, appropriated and

shaped by its actors, and this is why political economy gives greater attention to housing market agents (Molotch, 1993).

Geographic embeddedness which rests on the context specific nature of economic action, as opposed to the universalism of the neoclassic model. As such, each market context should be approached separately, not in reference to unknown forces, but to the actual political and socio-economic interaction among actors, and between actors and institutions.

Historical embeddedness focuses on historical patterns and trends for understanding land and housing markets. It examines the changing methods employed by central actors for land acquisition and the commercialization of land from early land development projects down to more advanced real estate production. Under this approach researchers extends to overlay different factors in the historical urban process such as the political, economic, and ideological factors that might influence the practices of developers over time (Ward & Jones, 1994). It is also valid to examine the changing policies that real estate developers worked with over the course of time. Data under specific contexts is analyzed in relation to the historical instances at macro-structural (changing policies, institutional structures, political events, etc.) and micro-institutional (changing social structures within the studied context, strategies, etc. overlaps. The itineraries of neighborhood development, and their significance in the broader urbanization process is closely examined, thus making sense of the way divergent resources were employed, reproduced and altered by agents to fulfill certain ends in specific circumstances.

d. Housing Market Segments: From Neoclassicism to Political Economy

Our understanding of housing markets evolved from the basic premise of a single housing market into a more complex segmented understanding of housing markets (Ellen, 2012). Primarily, housing markets were perceived as one entity whereby housing unit prices were differentiated by size and location from central business areas. With the diversification of demand, housing economists started looking at the different preferences of household and accordingly developed distinct subcategories of the housing market (Goodman & Thibodeau, 1998). Economists eventually defined housing market segments as a collection of supplied housing units that have relatively close similarities with one another and are to a greater extent contrasting to other housing units (Ellen, 2012). Similar attributes involve the quality of the housing unit, price, location, interested clients/residents' profiles, etc. Market segments formation and diversification is closely linked to the elasticity of supply and demand. Supply elasticity might be restricted by technological constraints and regulatory barriers. Demand, on the other hand, might be inelastic due to a certain fixed unchanging preference. Inelasticity in supply and demand curtails the multiplicity of housing submarkets, and eventually stabilizes prices across one (or two) markets. Contrarily, flexible and diversified demand leads to distinct submarkets where the prices can differ drastically.

Economist acknowledged the need to identify submarkets empirically within each context (Ellen, 2012), still, they went to construct a set of dimensions that compound to the formation of a housing segment. The aim of this approach is to provide a degree of comparability through the systematic data gathering on each segment in the market. They divided housing markets according to three main criteria: *housing size and structure*,

neighborhood conditions and services, and *residents' social attributes* (race, sect, ethnicity, etc.). Size (and structure) preference can range from a one-bedroom condominium to a two-floor single house. Structural preferences might involve a preference for old houses, new smart houses, single house, or an apartment in a gated community, etc. Second, *neighborhood conditions and services* represent the bundle of external conditions that come with the housing unit such as parks, schools, amenities, etc., the neighborhood character, and the community. Finally, economists found that minority groups usually look for housing units in areas within similar social attributes (race, sect, etc.).

Housing market researchers have argued that the complexities of the segmented market make analyzing it through the simplistic neoclassical principles of supply and demand rather an impossible errand. They defined segmented land markets via the broad spectrum of developers, mediators and social networks, degrees of legality, methods of financing, and modes of negotiation with local institutions (Ward & Jones, 1994). Researchers examining land and housing markets through this framework developed in depth understanding of the different characteristics of actors, targeted income clients, and networks employed in each segment, in addition to “*patterns of land acquisition, land subdivision, discretionary practices, behavior, relative profitability, etc*” (Ward & Jones, 1994, p. 19).

In sum, the neoclassical approach infers predictions from a preset of assumptions and principles, while the institutional and political economy approach generates a theory based on a set of patterns that fit together based on individual behavior that either fit and

institutional structure, or political power and historical factors. In designing a methodology, the neoclassical approach might provide principle tools and techniques for analysis but might need to be complemented with the institutional or political economy model for more sensitive understanding of the economic and political reality in most contexts.

e. Mixed Methods in Examining Market Actors

As of the 1990s, researchers investigating land and housing markets placed a greater emphasis on studying the strategies and practices of real estate developers and how they shape city growth and development (Brandsen, 2001). Consequently, complex combinations of methodological approaches and analytical frameworks were designed by housing and land market researchers to study developers and draw on more comprehensive findings for understanding land and housing markets. In this section I will outline the methods adopted by three studies on housing and land developers in different local and foreign contexts.

In his PhD dissertation, Marot (2018) examined the professional trajectories of city builders over two development cycles in post war Beirut, shedding light on how they have reshuffled the politics of the property market in Beirut. Marot adopted two main methodological approaches: the *political economic approach* and the *new institutional approach*. He primarily conducted *longitudinal* and *comparative* studies embedded in the political economic conditions of the two post war periods: 1990-2004 and 2005-2016. Two categories of real estate developers were identified for each period, based on their personal profiles, professional trajectories, and the years of practice/establishment. Marot

linked the emergence of developers of the first period to the political economic factors such as the post war construction boom, and the allure of real estate development at the time (Marot, 2018). He described most developers as inexperienced amateurs who eventually phased out of the market during the stagnation period of 1997. Family based firms, established in the 1960s, were in a stronger position and drove through the economic crisis into the next phase. The second cycle of development witnessed again the emergence of amateurs in addition to returnee (diaspora) developers. Diaspora developers had international exposure, professional foreign experience, and consequently brought in a wide set of strategies and practices from the countries they lived in. They took bolder steps, established larger corporate development companies, and worked on larger scale projects. Their emergence was linked to the property boom of the second half of the 2000s, the increase in capital resources due to international remittance (Marot, 2018).

Through his analysis of developers, Marot examined the strategies employed by the city builders he identified to organize, sustain, and finance their practice along the available (formal and informal) institutions in the two periods under study. He examined how developers strategize through different tools and institutions to reduce transaction cost of the development process, unravelling the corporate legal structures they engineer, the financial resources they rely on, and the structures of social networks they are integrated in. He showed how returnee developers have incorporated more complex and professional corporate and financial schemes to reduce risk and increase profit. He also showed how the changes and diversification in the available institutional structures of the second period have allowed developers to become more professional and financialized,

when the financial and legal options were still limited in the first post war period. Similarly, he showed the social networks real estate developers are embedded in, and the transition from local sectarian networks into global elite and trans-sectarian networks (Marot, 2018).

Marot's (2018) approaches extends an earlier investigation of housing market in Beirut, Fawaz (2004), whose methodological framework had crossed institutional and political economy approaches. In her study of the changing modes of operation of three generations of land and housing developers in the production of housing in the neighborhood of Hay el Sellom of Beirut, Fawaz (2004, 2008, 2009) combined *political economic approach*, *new institutional approach* and the *sociological institutional approach* to conduct a *longitudinal study* tracing urban growth, changing practices in the neighborhood over a period of fifty years, and shedding light on the different (and similar) development strategies adopted by developers along the formal and informal institutions. The study showed how the profiles, modes of operation, professional trajectories, and the housing units produced by each generation changed over the studied period. The practice of housing production in Hay El Sellom is underpinned by broader political, economic, and historic factors within the neighborhood (ex. dominance of certain political parties), and in the wider city, such as escalating land prices, civil war, and other political conditions. For instance, the Israeli invasion of southern Lebanon in 1978 increased the influx of refugees to Hay el Sellom, thus increasing demand for housing, and compelling developers to abandon previous construction practices that went more in line with the formal institutions and requirements. She also shows how, for example, the outbreak of the civil war marked pushed one generation of developers out of the market and

encouraged the emergence of new ones in Hay el Sellom. The analysis also draws on different micro and macro formal and informal institutions that developers reinforced, built on, or abandoned. For example, Fawaz (2004) shows how land developers used political parties during the civil war for protection, kin relations and tribal traditions for enforcement and accountability, and trustworthiness and reputation for attracting buyers. The study shows the different combinations of formal and informal institutions used by the three generations of developers in Hay el Sellom.

Elsewhere, Zhang (2010) examined the hybrid nature and practices of real estate firms in the city of Kunming in China. Here too, a blend of *political economic* and *institutional approaches* allowed the researcher to *compare* the practices and strategies developers that emerged in the post socialist period, and unravel strategies channeled through formal and informal institutions. Zhang anchored her study in the political and economic reforms of China which witnessed a shift from the domination of state-owned enterprises into a wide range of development firms: state-owned, semipublic, private, and foreign. Zhang examined the different profiles, corporate structures, professional trajectories, and organizational structures of these firms. Afterwards, she investigated the modes of finance, the institutions they rely on, the legal schemes they use, and the land acquisition schemes they adopt. For instance, the study shows that semi-private firms can get land from the government at very low prices, in addition to a startup fund through formal channels (Mother Company). On the other hand project-based companies rely on their informal institutions (friends and family) to compile the needed money to launch their projects, and rely on bribing and social networks within the city planning office to access better options of land.

In short, the practices and strategies of real estate developers, are now considered central to understanding production of space in the city, whereby it has become impossible to understand urban production through passive spatial analysis, “*distilled*” from human agency and its social context.

3. Contentions on Mortgage Based Housing Finance in “Developing Countries”³

The emergence of mortgage-based housing finance in the early 1990s has been viewed with high degrees of optimism in economic betterment and empowerment of low income households and communities (Buckley, 1994; Renaud, 1989). This review aims to touch on the main position that supported the emergence of mortgage-based housing finance in developing countries, and to situate this global trend within the postwar Lebanese context. The first part of this review reveals the conditions that led to the emergence of housing finance as policy doctrine in the late 1980s. It then shows the main arguments the World Bank put forward to support the idea of housing finance over other housing strategies. The second part demonstrates the emergence of housing finance in Lebanon, highlighting the main political and economic conditions that encouraged its introduction as a tool for housing provision. It also outlines the three main formal channels of housing finance in the post war period: The *Housing Bank*, the *Public Corporation of Housing*, and the *commercial banks*, and the role of the *Central Bank* and the state in strengthening and institutionalizing the housing finance apparatus in the post war period. Housing finance schemes have been directed towards the supply side;

³ The term “*Developing Countries*” is used in this section with reservations. I consider it nonetheless important to use this term in this section in particular as I will be referencing the views and terminologies used by the World Bank.

construction industry, and demand side; the households. This review however, shed lights on the demand side discussion.

a. The Neoliberal Turn: A Shift from Housing Delivery and Self-Help to Housing Finance

By the time governments shifted from public housing delivery schemes to market-led housing provision informal market loans dominated the housing finance schemes, while formal housing finance was almost inexistent, or rather limited to poorly managed housing institution that were not interesting enough to investors (Klaasen, Hoogland, & van Pelt, 1987; Renaud, 1989). Poor funding and organization methods led to the failure of these public provisions by the late 1980s, and to macro-economic disruption and instability. Consequently, governments and international agencies departed from the pretense of social progression and shifted into developing more stable and adaptive economic strategies through reduced government interventions and a greater play of market forces to mobilize financial resources and foster economic growth (Buckley & Kalarickal, 2006; Jones & Datta, 1998; Klaasen, Hoogland, & van Pelt, 1987).

By the early 1990s the new *neoliberal* rationale, mainly driven by the World Bank, was directed to make developing economies more stable and adaptable to external and internal shocks. The housing sector emerged as an important component of economic growth as level of urbanization and the sector's total capital formation increased. Consequently, policies were designed to expand and strengthen housing-based financial markets. The World Bank therefore shifted the weight in its lending schemes from sites and service to the private housing sector. Eventually, as housing finance became a critical

part of the economic development agenda, governments recognized the need to mobilize domestic resources and promote the involvement of private financial institutions. The savings behavior of households became central to domestic financing of the economy, while private institutions took a greater role in the provision of housing finance.

The World Bank postulated that market rate mortgage finance should be encouraged, as it improves the efficiency of the market and household savings, enhances the efficiency of housing provision in the market, and lead to more equitable access to housing for lower middle-income groups. The development of a well-functioning system of market rate mortgage finance can contribute to a macro economic development (Renaud, 1989; Jones & Datta, 1998; Klaasen, Hoogland, & van Pelt, 1987).

b. Housing Finance in Lebanon

Homeownership financing schemes, although momentary, have been part of the housing provision programs in Lebanon since the 1960s. These schemes mainly supported medium and long term housing instalments as stipulated in Law of September 17, 1962, in addition to other publicly led housing programs initiated by the *Council for Housing* targeting middle income groups in the prewar period (Marot, 2018). The *Ministry of Housing*⁴ undertook the construction of public housing projects, in addition to channeling financial resources for the *Housing Bank* and the *Caisse Autonome de l'Habitat*. The outbreak of the civil war in 1975 weakened the financial capacity of the two main credit public organizations, which consequently impeded the development and sustainability of these programs. With the collapse of the Soviet Union in the early 1990s,

⁴ Ministry of Housing was established through Law 9, on January 31, 1971 in replacement of Council for Housing

the World Bank steered in a neoliberal paradigm shift in the global economy and public policy agenda characterized by minimizing state's role to an enabler of the market. Hence, the survival of the public credit organizations became increasingly difficult with the intensification of pro-market strategies by the end of the civil war in 1990 in Lebanon and the global neoliberal economic shift⁵, when housing provision issues disappeared from the public policy agenda and were replaced by notions of economic growth (Buckley & Kalarickal, 2006; Marot, 2018). Nonetheless, housing finance system was nearly inexistent in the early post war years in Lebanon, as the preconditions of its establishment were absent. For instance, the collapse of the local currency in the late 1980s created uncertainty in the financial environment in the early years of the post war period which impeded the introduction of long-term mortgage finance. Commercial banks also held back from engaging in long term housing loan programs due to the compromised value of housing as a collateral amid the widespread of war related squatters, and the weakness of the state in governing and enforcing the law to secure creditors' and property rights in case of default or litigation (Marot, 2018). These banks have already benefited from the lending schemes to fund the state's post war recovery plans and were therefore less interested in more risk prone schemes such as housing loans. Consequently, housing loans offered during this period were short to medium termed, limited in value, and with interest rates that ranged between 10-14%. Hence, they were only accessible by a narrow segment of the Lebanese population (Marot, 2018).

⁵ In Lebanon, the neoliberal impetus was led by PM Rafik Hariri in the post war period, through targeted privatization projects, public-private partnerships, and by significantly limiting state's involvement in the market (*in this case housing provision*)

As legislators recognized the importance of the housing sector to the pro-growth economic rationale, they went to devise the needed institutional framework to orient the behavior of agents and incentivize financial organizations in the direction of urban development. By the late 1990s, 80% of households could not access homeownership through direct payment and resorted to informal modes of housing finance such as direct installments to developers, or reliance on family and friends support (Marot, 2018). State officials became increasingly aware of the potential of housing finance, and consequently devised schemes to mobilize domestic savings and incentivize the domestic financial sectors' involvement in the local financial system. It was faced however with the challenge to reestablish the confidence between lenders and borrowers, and incentivize commercial banks, to provide mortgages in local currency with more affordable rates and longer maturity periods. In 1997, after prolonged negotiations between the Central Bank and the Ministry of Finance, the state established the *Public Corporation for Housing* to replace the *Caisse Autonome de l'Habitat* and started subsidizing LBP denominated loans by 1999 (Marot, 2018). The proper functioning of the mortgage-based housing finance encouraged commercial banks during the early 2000s construction boom to enter the mortgage market and diversify their lending portfolio. Commercial banks mainly targeted upper middle- and upper-income clients who were not eligible for state sponsored loans. According to Marot (2018), the annual number of newly registered mortgages between 2000 and 2010 increased by 89% in Beirut, while the total value increased by 383%. With the increase in diaspora remittance and capital availability following the global financial crisis in 2007, the Central Bank, in 2009, expanded low cost funding to housing loan schemes, and extended the loan's maturity date. The rapid

increase in property prices 10 years into the establishment of the Public Corporation of Housing, excluded lower income groups from accessing mortgages as they didn't meet the eligibility criteria. By 2010 mortgages in municipal Beirut accounted for only 6.46% in number against a striking 23.5% of the total value (Marot, 2018).

The emergence of different channels of formal housing finance schemes made homeownership the dominant provision of housing in Greater Beirut in the post war period whereby 43% of residents were homeowners in recent years at the time when only 17% in Municipal Beirut were owners of their primary residence in 1970 (Marot, 2018).

c. The Public Corporation for Housing (PCH)

The *Public Corporation for Housing* (PCH) is considered by many scholars the most important post war institutional constituent designed by the Lebanese state for urban and housing production, and the expansion of middle-income property market. It was put forth by the state in July 24, 1996 Law 538⁶ in replacement of Caisse Autonome de l'Habitat which failed after the currency collapse in the 1980s. It is based on the premise of shifting the government's role from a provider to a facilitator of privately-led housing systems. Hence, the state along with the Central Bank, the Ministry of Finance, and the CEO's of major commercial banks, devised an incentive structure that brings on board commercial banks and homebuyers into the mortgage-based homeownership scheme. The state (through PCH) played the role of intermediary between lenders and buyers. As an intermediary, its main mission is to subsidize and secure LBP denominated mortgage loans issued by local commercial banks (Marot, 2018). The establishment of the *PCH* had

⁶ The PCH was firstly disbursed on September 24, 1999

to address the great uncertainties and reluctance that commercial banks had regarding the monetary stability of the local currency in the early post war years. High profitability was a condition of the banking sector's acceptance of the lending program's risk. On the other hand, the mortgage system had to be instrumental in extending loan maturity, decreasing down payment requirements and offering attractive interest rates to borrowers (Marot, 2018). So first, they had provided adequate guarantees to encourage commercial bank to commit to long term LBP denominated housing mortgages. To solve this issue, the state proposed *"to provide cheap LBP denominated financial resources to the banks through a targeted lift of their required long-term central bank reserves. The Central Bank offered banks collaborating with the PCH the possibility of taking 60% of the loan values from their own cost-free compulsory reserves. The financial authority on the other hand allowed commercial banks to place a portion of their reserves equivalent to the value of the remaining 40% of their PCH sponsored loan portfolios, in well remunerated government bonds"* (Marot, 2018, p. 271). The well-designed financial scheme responded adequately to the limited financial liquidity and encouraged the involvement of the commercial banks in mortgage financing. Furthermore, a Law issued in 1996 543/1996 exempted banks who were involved in housing finance from several taxes. The International Finance Corporation also provided six local banks with soft loan packages to encourage them to provide subsidized housing loans in local currency (Marot, 2018)

The maximum loan amount started at USD 53,000 in the late 1990s and increased to USD 120,000 in 2008 and USD 180,000 in 2011 to keep up with inflation in property values. The interest rates have conversely decreased from 9.36% in 1999 to 7.2% in 2003, 6% in 2010, 4.67% in 2012 and about 3.5% in 2017. Households accessing PCH-

sponsored loans are also exempt from mortgage fees and property registration fees, which is almost the equivalent of one year of interest (Marot, 2018).

PCH-sponsored housing loans are therefore subject to a *tripartite* loan agreement involving the borrower, the commercial bank, and the PCH. It involves a two-phase loan scheme. Phase one extends over a period of 15 years whereby the borrower refunds the initial capital to the commercial bank. The PCH on the other hand, takes up the responsibility of repaying interest to the commercial bank during the same period by drawing upon property-related government revenues such as land registration fees, building permits, etc which are allocated by the Ministry of Finance (Marot, 2018). The Ministry of Finance therefore fills the gap between the interest charged by commercial banks to the PCH in phase one and that paid by borrowers to the PCH in phase two. This scheme ensures that the commercial bank have limited its financial risk to 15 years only. Phase two also extends a period of 15 years and requires the borrower to repay the interest to the PCH during this period (Marot, 2018).

4. Comfort Zones and Geography in Housing Production

Another dimension that we might want to consider is the meaning of housing unit in relation to the context it is located in. This requires extending the meaning of housing from the individual unit into the community and neighborhood it is situated in, or what Boyd (2008) refers to as "opportunity structures" provided by social capital. Portes (1998, p. 6) defines social capital as the "*ability of actors to secure benefits by virtue of membership in social networks or other social structures.*" Boyd argues that the focus on development and maintenance of social networks is significant for housing mechanisms,

whereby housing units within certain communities consist of systems, networks, and institutions that can provide different opportunities for its residents. These neighborhood-level characteristics are argued to influence individual outcomes, by offering (or restricting) access to social capital and opportunities.

Marot (2018) argues over the existence of historically and geographically specific “comfort zones” for property actors based on spatialized sectarian politics. He argues that this form of spatial literacy is bound to *previous experience and ownership of properties in specific locations* (Marot, 2018, p. 401). This allows real estate developers to rely on social relations within their sectarian networks to secure access to land, financing, and buyers, as much as to reduce risk for projects that tend to be concentrated in specific neighborhoods. The networks developers develop within their comfort zones are key for protection, patronage and for the real estate developers’ reputation and network of trust. He argues that not only dwellers were able to generate this concept of comfort, but also real estate developers have as well worked within what he termed “*comfort zones*” (add more about comfort zones) through privileging working in certain places over others which they find less threatening, and more comfortable to work in and for facilitating their work. Real estate developers are inclined to respect sectarian lines and compete with other local actors over land, financing and clients within their comfort zones.

Harb and Deeb (2013) has extended the concept of comfort zones to dwelling and practicing the city. They have argued that residents do not only live within their comfort zones, but also navigate more or less with ease depending on the political sectarian rubric for assessing place. According to Harb and Deeb (2013), the massive displacement during

the Lebanese civil war has generate a city divided into *territorial enclaves* affiliated with sectarian political groups.

Bou Akar examines the policies instated by the state in fostering and reinforcing the sectarian divide in the city (Bou Akar, 2018). She argues that planning policies and building regulations were deployed by political parties to create territories and maintain their control over neighborhoods.

D. Methodology & Analytical Framework

1. Data Collection and Analysis

In order to investigate changes in the modes of housing production in Beirut and the effects of planning and housing regulations on them, the thesis takes up the neighborhoods of Aicha Bakkar and Tallet El Khayyat as its case studies. It combines different elements from several approaches to studying housing markets. First, I conducted a longitudinal study to understand the development trajectory of the two neighborhoods reaching today. Then, I conducted a detailed study on the post war period through mapping new developments, categorizing and profiling real estate developers.

This study approaches the challenge from two perspectives: **a historical mapping** of development practices and **a detailed mapping of buildings in the post-war era (Figure 4)** More specifically, the thesis will consist of two tracks:

Tracing Historical Changes in Housing Production of the Neighborhood: This part focuses on the profile of actors involved in urban development, the building/planning regulations curtaining, the form and building typologies generated, and modes of

development followed during the 60 years of development of the neighborhoods. The study will be divided into four main sections, each looking at one of the four phases of urban development in the neighborhoods. The section then concludes with comparing the two neighborhoods today. I have identified based on aerial photography and discussion with residents four main phases of housing production in the neighborhood: 1) The Early Development 2) The Independence and Pre-Civil War Period, 3) The Civil War Period, 4) Present Condition.

In order to trace these phases, I relied on overlapping georeferenced aerial photos and historical maps obtained from the *Beirut Urban Lab*, and narratives from the old residents had old documents on the neighborhood.

In addition, I interviewed five **long-time residents** (in Aicha Bakkar) and three **old real estate developers** to construct a comprehensive understanding on the early development logic and trajectories of the neighborhoods. In parallel, I traced the main regulatory changes introduced in the past 6 decades. This helped me understand the repercussions of state interventions in the management of urban production in the neighborhoods and in Beirut. I mainly relied on references from the Official Gazette and newspaper article.

Finally, I relied on the official records from the *Public Corporate of Housing (PCH)* to see the number of residents who obtained subsidized housing loans in the two neighborhoods.

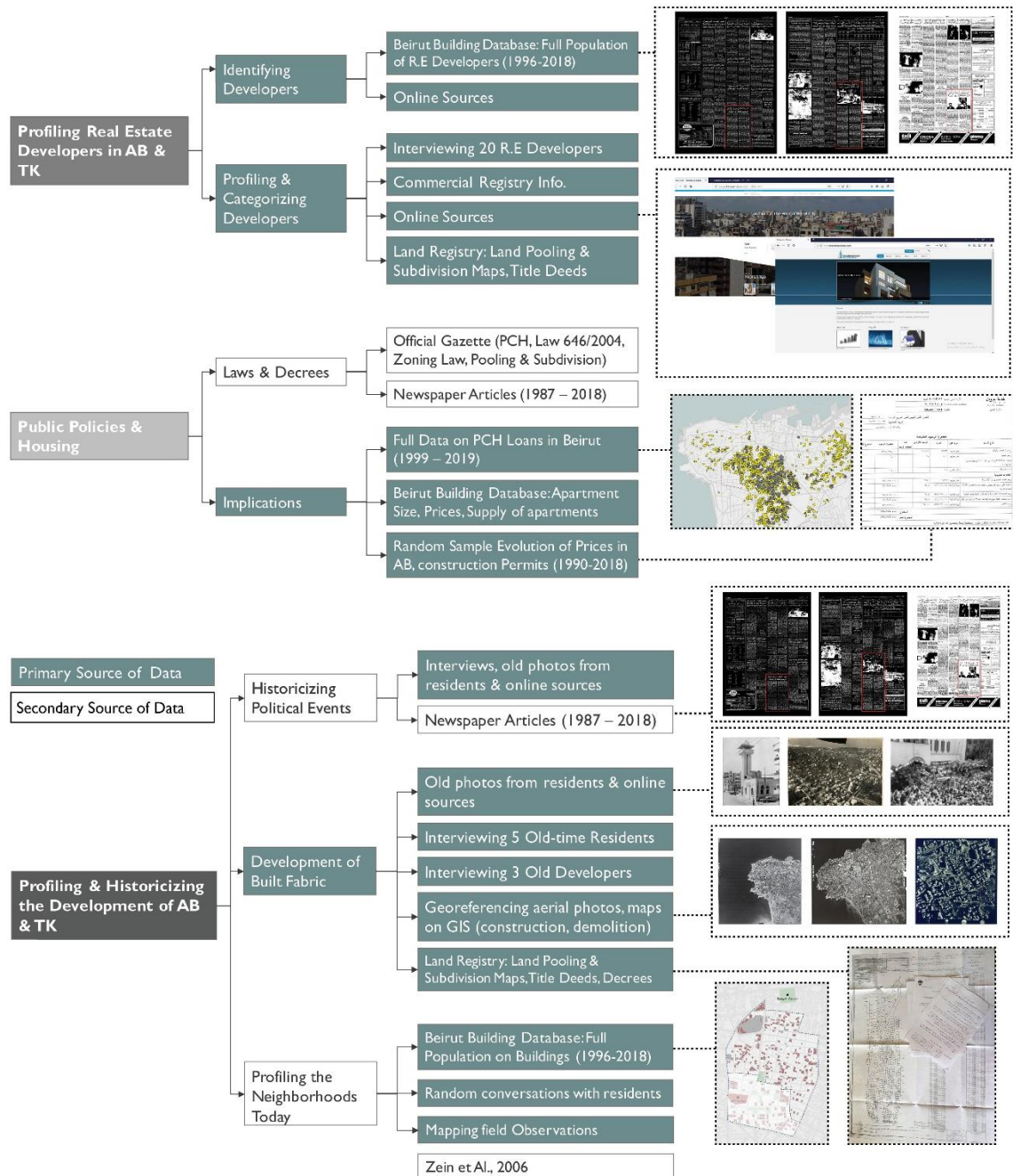


Figure 4 Data Collection Scheme
Source: Author

Documenting the Post-Civil War Construction Boom: My mapping of the post-civil war falls within the scope of the *Beirut Building Database* in which this work is inscribed. I relied on the mapping of the *Beirut Building Database* to identify all buildings developed in the post-war period. I also documented the post war construction boom, through in-depth quantitative and qualitative empirical data collection and field work. This part of my thesis aims at documenting urban change in the neighborhoods of Aicha Bakkar and Tallet El Khayyat as follows:

Beirut Building Database is based on the construction permits obtained from the *Order of Engineers and Architects* (OEA) for the period of 1996-2018. The data obtained from the OEA were verified on site, complemented with additional information that are considered important for my research such as: Building typology, apartment areas, selling price, developer, etc.

Also part of the *Beirut Building Database*, subsidized housing loans obtained within the city of Beirut through the *Public Corporation of Housing* allowed me to conduct a comparative analysis to understand the impact of the housing finance on access to housing in the two neighborhoods.

Documenting Narratives: After completing the field survey, I contacted and interviewed 20 real estate developers who are involved in the development of the neighborhoods of Aicha Bakkar and Tallet El Khayyat in the post war era (1996-2018).

The collected narratives helped me construct a profile of the actors involved in urban production in Aicha Bakkar and Tallet El Khayyat. This was compared against the data collected in part one of my study.

The triangulation of data allowed me to categorize developers according to their profile, market strategies, modes of financing, organization structure, and other set of attributes. The analysis focuses on determining the relation between housing policy, changes in building regulations, and forms of housing development in the neighborhoods of Aicha Bakar and Tallet El Khayyat.

Documenting the impact of Public Policies on building activity and access to housing in the neighborhoods: looking at the impact of the building and zoning law on real estate housing production. Looking at the impact of PCH loans on housing production and access to housing in the neighborhood.

2. Researching as an Insider

In line with the positionality theory that argues that the way others perceive us on the field can impact the research process and findings (Bourke, 2014), this section reflects on my positionality in this research project and highlights the issues I encountered during the process. I find it essential to highlight that my position as a *hijabi* woman who lived for more than twenty years in Aicha Bakkar brought in so many advantages during field work and the interviewing phase, as well as several challenges when it comes to defining my personal convictions.

My fieldwork experience can be described as untroublesome, the least. I was at ease navigating through the two neighborhoods, particularly Aicha Bakkar. Even when fieldwork was interrupted by skeptical residents, I had a sense that the comfort in my body language and voice tone, classified me as an indigenous insider after a short introduction. Additionally, it seems that my father, grandfather, and brother are

recognized by many residents in Aicha Bakkar as “*pious*” and “*virtuous*”. This made access to information easier, as residents became more cooperative after knowing my family name; many of the residents/building concierges spread the word to other concierges to become more cooperative and give me “whatever I needed”. Fieldwork in Tallet El Khayyat was slightly more restricted. Nonetheless, Reem⁷ and I appealed to our identity as AUB students. This gave fieldwork a sense of credibility and legitimacy in the neighborhood, allowing us to navigate through upper income neighborhoods more easily.

Prior to conducting interviews, I asked my father for information on the networks in the neighborhood, the developers I came across during fieldwork, and potential residents that might be useful for interviews on the history of the neighborhood. My father had a significant role in orienting me in the initial stages of the research, before I was acquainted with names of developers, and the market dynamics in the neighborhood. His knowledge in the housing market stems from being approached by almost 50 developers in the past 8 years for the development of a land he has some shares in. This has also provided great insights on the market dynamics and access to land by developers in the neighborhood. I often observed decision-making discussions by shareholders over developers; who they’d rule out and why, and who they’d consider and why.

During the interview phase, backed up with the background knowledge I got from fieldwork, my family, and the internet, developers’ attitude played another role in the type of information I received. I believe my *petite* unthreatening student look, and hijab have made developers more articulate in the information they gave. Developers have often said

⁷ Reem was my fieldwork colleague

things like “*you are one of us and we want to help you*”, “*you’re a student and we like to teach and help students*”, and “*I am only saying this to you, because you understand why I mean*”. I got the sense that my looks might have put developers in a mindset of a “*provider of knowledge*”, thus providing unrestricted responses to my questions. On the other hand, the insider-ness that came along my *hijab* and where I come from, added another layer of cooperativeness from the side of developers. Even my interviews with corporate developers were very elaborate. After meeting the manager, and him making sure I wasn’t “*threatening*”, he would refer me to an employee (who knew a lot about the company) and ask him/her to answer all my questions.

However, this nested positionality also provided complications. During fieldwork and interviewing, I was automatically classified as an insider and provided a level of trust that would not be present otherwise. Participants did not question my conventions, values, or purpose behind the research, and assumed that I am “*one of them*”. This has made me more cautious as I want to be clear with my intentions without jeopardizing access to information. As a religious researcher, who is juggling between Islamic values and leftist ideologies, I am still in the process of finding a place for me amidst the two philosophies. Although most residents considered me part of the clan, I felt distant in my conventions, values, and positions. I often got statements such as “*we need to sit and agree how this will transpire in your research*”, or “*we want you to give a good image on how things are happening here*”, and I wanted to clarify that I will be transcribing things as I see them, through my lens in the in between. The complication of being stuck between being an insider and outsider was also helped through by my professor. Professor Fawaz has always guided me through various discussions, debriefings, and a deeper look on how

things are going. My insider-ness might have obscured some important findings that I considered unimportant. De-briefing sessions with my advisor were very helpful in filtering these findings out.

E. Thesis structure

The thesis is divided into five main chapters. **Chapter 1** introduces the notion of actually-existing financialization of land, it then outlines the research question, the study objectives, and methodological approach. It includes the literature review that informs my investigation on the field and analysis of the collected data.

Chapter 2 elaborates on the urban development of Tallet El Khayyat and Aicha Bakkar. The chapter highlights the urban and social development of the two neighborhoods in relation to their current conditions. It shows the key actors and institutions that influence change and transformation in the two neighborhoods. This chapter shows the importance of looking at path dependent processes of development in neighborhoods before studying the current market conditions and dynamics.

Chapter 3 looks into the profiles and market strategies of the real estate developers involved in housing production in the neighborhoods of Aicha Bakkar and Tallet El Khayyat in the post war era. I compare the three categories of developers to each other in relation to their profiles, modes of financing, networks they appeal to, organization structure, etc.

Chapter 4 investigates the role of the demand and supply side policies enacted by the state in the urban transformation of Aicha Bakkar and Tallet El Khayyat. It looks at the

implications of the zoning law in 1954, Building Law 646 in 2004, and subsidized housing loans provided by the public corporation of housing in 1998, and their effect on access to housing in the two neighborhoods and on the development sector in Lebanon.

Chapter 5 summarizes the findings and outlines the main recommendations from this research.

CHAPTER 2

CASE PROFILE IN CONTEXT

This chapter profiles the two case studies, recounting their historical development and profiling prevalent actors and institutions in the two neighborhoods. The first part addresses urban growth in Aicha Bakkar and Tallet El Khayyat in relation to Beirut's history. It shows that housing production in these two neighborhoods and in Beirut in general, is linked to a set of local actors (religious, government-based), who had a significant role in generating uneven geographical development and who continuously shape how housing is produced and re-produced in the neighborhood. The second part of this chapter introduces the physical, social, economic, and political layers that define the two neighborhoods today. Through building typologies (e.g. average size of apartment, building height, and amenities), zoning law, and land prices, this chapter also shows that housing production in the two neighborhoods is continuing to target roughly the same income groups. The chapter sets the stage for how the development of the two neighborhoods will be compared in relation to their ongoing building activity.

To trace the different phases of development in the two neighborhoods, I relied on overlapping and digitizing georeferenced aerial photos and old maps. I have also conducted interviews with five old residents and semi structured interviews with three old (pre-civil war and civil war period) real estate developers who have also provided me with old documents and images of the neighborhood. In addition, I was able to retrieve the subdivision maps and property deeds - *صحف عقارية* of the pre-pooling and subdivision lots in Tallet El Khayyat from the Land Registry. Data on building typologies, parcels

sizes and apartment prices were obtained from *Beirut Building Database*⁸. In parallel, I also traced the main building regulatory changes introduced in the past 6 decades to understand the logic behind state interventions in the management of urban production in Beirut. Laws and legislative decrees were retrieved from the Official Gazette.

A. Locating the Neighborhoods of Aicha Bakkar and Tallet El Khayyat in Beirut's History

This section highlights the conditions that produced different trajectories of urban growth in the two neighborhoods. I will show in this chapter that although the two neighborhoods were originally read as one area “*Al Ramel*”, Aicha Bakkar’s urbanization was triggered by the establishment of Dar el Fatwa, the highest Sunni Religious authority in Lebanon, in the neighborhood and led by family based incremental and organic growth extending from Beirut historic core. Tallet El Khayyat’s urbanization on the other hand, was conditioned by landownership factors and zoning regulations that triggered state-led intervention through land pooling and subdivision. The pre-planned development of Tallet El Khayyat followed modern conceptions of urbanization inspired from nearby Ramlet El Bayda. Consequently, state-led interventions produced in this case a neighborhood targeting upper income groups, while religious institutions have had a major role in creating a homogenous sectarian enclave in the city.

⁸ A project conducted by the Beirut Urban Lab in the American University of Beirut

1. Current Location

Aicha Bakkar and Tallet El Khayyat are two adjacent neighborhoods located within the “*Moussaytbeh*” district occupying the western edge of Municipal Beirut (Figure 5). Today, Aicha Bakkar is known as a Sunni low-middle income neighborhood located within walking distance from the Durzi Community Center to its north, Verdun Street to its west and Mar Elias Street to its east.

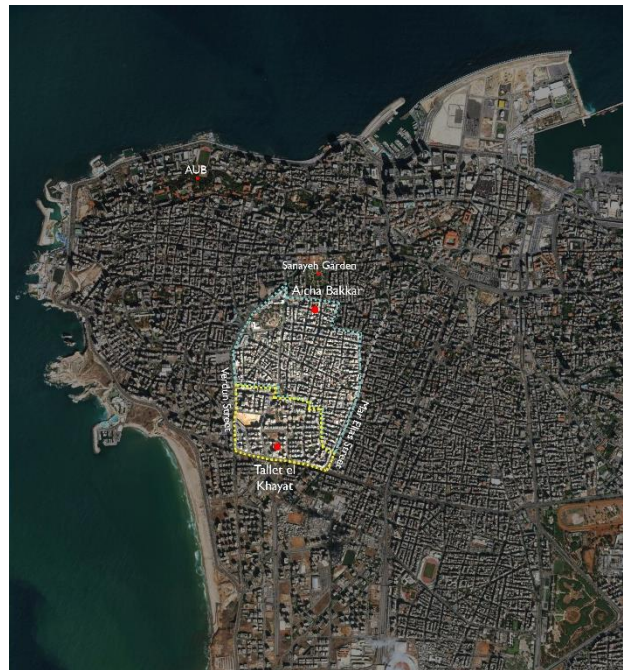


Figure 5 Location Map of Aicha Bakkar and Tallet El Khayyat, Beirut (Lebanon)

Source: Author, based on ArcGIS aerial photographs

Tallet El Khayyat, a predominantly upper income residential district, extends from the southern edge of Aicha Bakkar to Corniche Saeb Salam- also known as *Corniche Al Mazraa*. Tallet El Khayyat is also bounded by Verdun Street to the west and Mar Elias Street to the east. Al Rachidine Street, built in the late 1960s, cuts longitudinally through Aicha Bakkar and Tallet El Khayyat linking the Sanayeh area to Corniche Saeb Salam. While cutting the street was linked to the commencement of urbanization in Tallet El Khayyat, it had destroyed many buildings through expropriation in Aicha Bakkar. The development of the two neighborhoods can be divided into four main phases: the *early years*, the *independence and pre-civil war phase*, the *civil war phase*, and *current condition*.

2. Early Years (Figure 7)

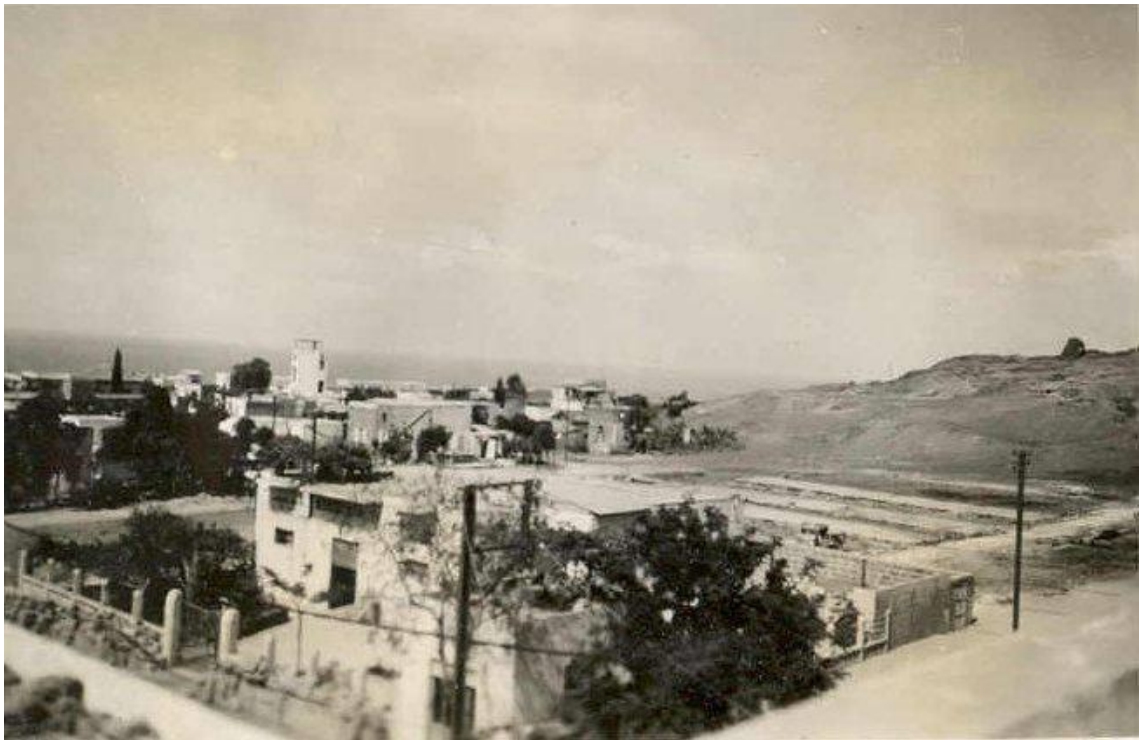
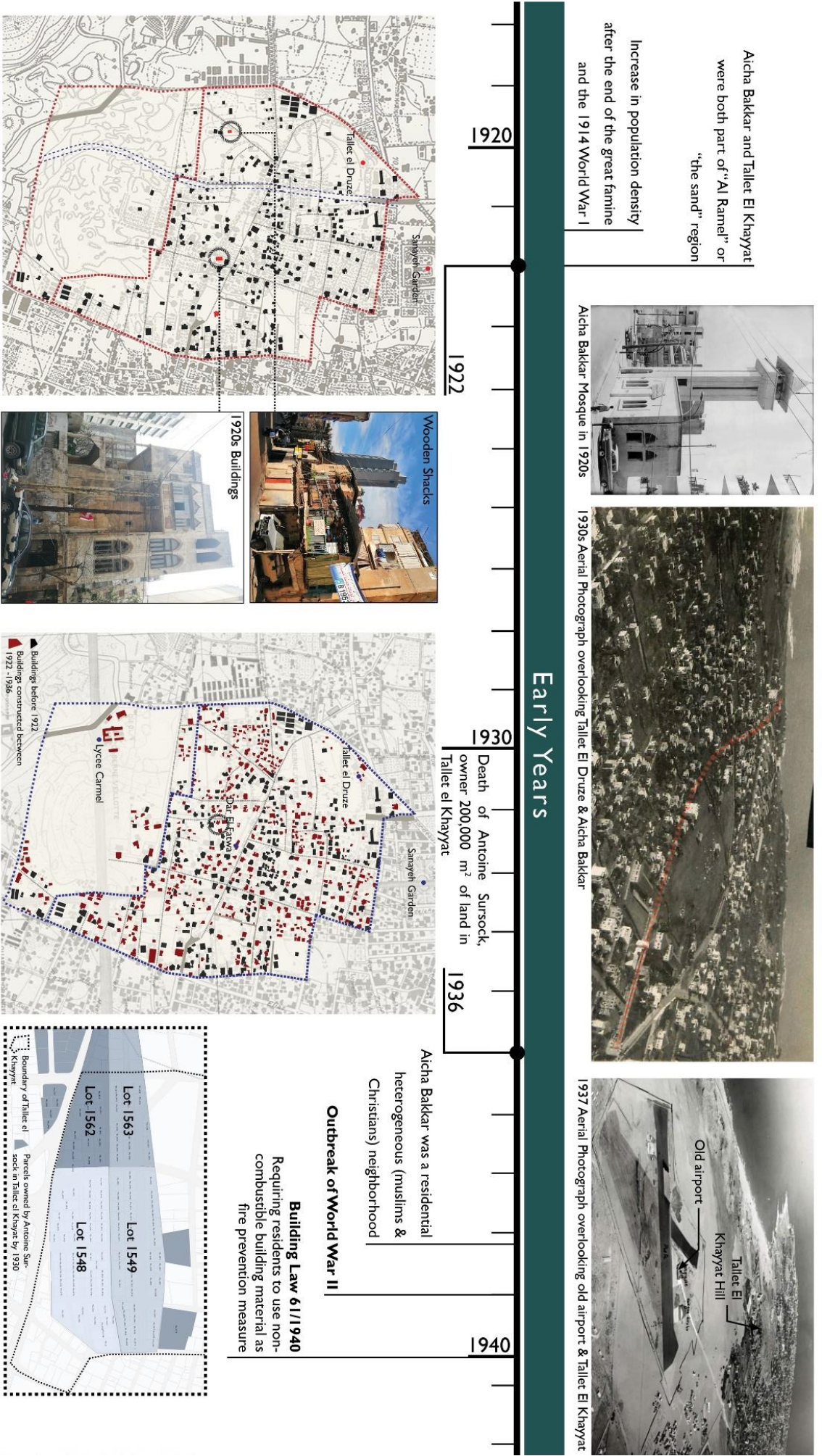


Figure 6 Over Looking Tallet el Khayyat Hill and Aicha Bakkar - 1940s
Source: Amin Al Maaz's Facebook Page

The urbanization of Aicha Bakkar came much earlier than Tallet El Khayyat. Historically, Aicha Bakkar and Tallet El Khayyat were both part of “*Al Ramel*” or “*the sand*” region in reference to land covered with sand dunes that occupied most of today’s Moussaytbeh. By the early 1920s, the neighborhood consisted largely of a sandy hill in addition to very few scattered ‘shacks’ at its eastern peripheries and a limited number of agricultural land (YaBeyrouth, 2004). The two neighborhoods were regarded as one area during this period (Samer, 2019; Mostafa, 2019; Saleh, 2019; YaBeyrouth, 2004) (**Figure 6**). The increase in population density that came soon after the end of the great famine and the 1914 World

Figure 7 Urban Development Timeline - Early Years

Source: Author, Map based on aerial photographs obtained from Beirut Urban Lab



War I, pushed residents outside Beirut's core. Consequently, Beirut families started populating undeveloped areas in Beirut⁹, where land was still cheap and abundant. Aicha Bakkar was one of the neighborhoods that emerged during this period as the natural extension of the urbanization process that had already transformed the neighborhoods closer to Beirut's core such as Zarif, Ras Beirut, Mar Elias, and Sanayeh. During its early years, Aicha Bakkar was a residential heterogeneous neighborhood, whereby the residents were Muslims and Christians alike. Christian families such as Abdul Nour, Kettaneh, Matar, Sahyoun, Amyouni, Alexandari, Saliba and Sursock owned properties in today's Aicha Bakkar¹⁰. Similarly, Muslim families such as Hammoud, Zo'zo', Anouti, Assaf, and Deryan were one of Aicha Bakkar's early residents. In addition, the neighborhood also housed multiple income groups. While some of the arriving residents constructed 2-storey sandstone houses resembling the traditional elaborate Beirut houses of the French Mandate period, underprivileged residents built wooden shacks on small properties that fit their financial capabilities (**Figure 8** & **Figure 9**). 90 years old Mostafa's (2019) father purchased a 100 m² property that was subdivided from one larger property. Owing to his limited financial capabilities, he built on the land a wooden shack to live in with his nuclear family. Some of the alleys in the neighborhood today, are

⁹ According to the Danger Plan in 1932 urban expansion was allowed reaching to the edge of Tallet El Khayyat and confined by Corniche Saeb Salam, whereby the Corniche was designated as a peripheral road to limit the urban expansion of Beirut (Achkar, 1998).

¹⁰ Data was retrieved from Land Registry. I was only allowed to skim through the title deeds, no official copies were obtained

identified in reference to the former housing typology “*Zaroub El Elliye*” or “*Alley of Shacks*”.



Figure 8 (Left) Old Beirut Houses, Hachim El Khalil Street, Aicha Bakkar

Figure 9 (Right) Old Shacks - Zaroub el Eliyi Street, Aicha Bakkar

Source: Author

The name of the neighborhood “*Aicha Bakkar*” developed in 1924 when Mrs. Aicha Bakkar Agha, a lower middle-income pious lady dedicated a land she owned to the *Islamic waqf* for the construction of a mosque in the neighborhood. The mosque was constructed in the late 1920s as the first mosque in the neighborhood and was composed of a 35sqm small corner (*zawiyah*) (**Figure 7**). The neighborhood was then re-named Aicha Bakkar in the late 1940s, in reference to the lady who contributed in the construction of the neighborhood’s first landmark and mosque (YaBeyrouth, 2004).

Horizontal urban expansion persisted at a similar pace in Aicha Bakkar throughout the 1930s as many of the agricultural and sandy landscapes were consecutively converted into residential units. With the outbreak of World War II in 1939, a new building law 61/1940 was released requiring residents in Beirut to strictly use non-combustible

building material as a fire prevention measure that may result from warfare. In compliance, many of the wooden shacks in the neighborhood were rebuilt using sandstone. Mostafa recalls the molding sandstones from the available sand in the area to build a room that would replace their wooden shack.

Meanwhile, Tallet El Khayyat was mainly composed of four large empty parcels: Lot 1548, 1549, 1490, & 1493 (**Figure 7**). Lots 1548 and 1549 alone totaled 121,248 m² and 63,290 m² of land respectively. Although the naming of the neighborhood is said to come from a Sheikh called Mehyeddine El Khayyat who lived on the fringes of the neighborhood in the late 1940s, the title deeds show that the neighborhood was predominantly owned by the Sursock family. By 1936, the four parcels occupying most of Tallet el Khayyat, in addition to many other parcels in the neighborhood, were solely owned by Antoine Sursock. The death of Antoine Sursock initiated a dispute over landownership between the heirs leading to the foreclosure of the estates by the court. Hence, while Aicha Bakkar was expanding during this period, Tallet El Khayyat was rendered inaccessible and was uninhabited for another 40 years.

Instead, residents from surrounding neighborhoods (including Aicha Bakkar) expropriated the abundant sand in the Tallet El Khayyat hill to mold sandstones and build their houses. During this period, access to the neighborhood was limited to workers looking for construction material.

3. *Independence & Pre-Civil War Period (Figure 10)*

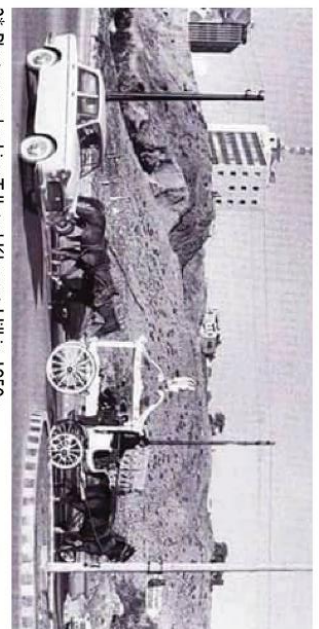
By the early 1940s, Aicha Bakkar was becoming less of a sandy area at the fringes of Beirut and more of a residential neighborhood. The economic prosperity that came along with the Lebanese independence in 1943 activated the construction sector as growing number of rural migrants moved to the city in search of opportunities (Fawaz, 2004). In Aicha Bakkar, the decision of locating Dar El Fatwa, the highest religious Sunni authority in the neighborhood in 1943, had a significant role in setting stage for Aicha Bakkar's Sunni religious identity today. Dar El Fatwa's presence created a sense of Muslim territorial visibility in the city as of the 1940s, within the context of Lebanese sectarian politics (YaBeyrouth, 2004). Consequently, the neighborhood became an increasingly attractive residential destination for Muslims coming from other Beiruti neighborhoods (mostly Sunnis) and from southern Lebanon (mainly Shi'a). The neighborhood also gained greater significance and support from different prime ministers throughout the pre-civil war period due to Dar El Fatwa's important role in directing Muslim public opinion. As we'll see later, Dar El Fatwa continued to play an exclusive role in organizing and managing Muslim territories and by appealing to urban politics.

Throughout the 1950s, building typologies in the neighborhood still comprised family buildings primarily developed by owners and contracted to construction workers. As most of the residents in Aicha Bakkar had businesses in Beirut's core "*Al Balad*", "*El Madini*", ground floor space was predominantly residential with a small garden/yard. Residents (mostly male) worked outside Aicha Bakkar (in "*Al Balad*") and came back to the neighborhood in the afternoon.

Figure 10 Urban Development Timeline - Independence Period
Source: Author, Maps based on aerial photographs obtained from the Beirut Urban Lab



1*: Photo overlooking Tallet El Khayyat Hill - 1940s



2*: Photo overlooking Tallet el Khayyat Hill in 1950s

Independence Period

New residential pattern that aggregated Christians in East Beirut and Muslims in West Beirut was set soon after the conflict in 1958

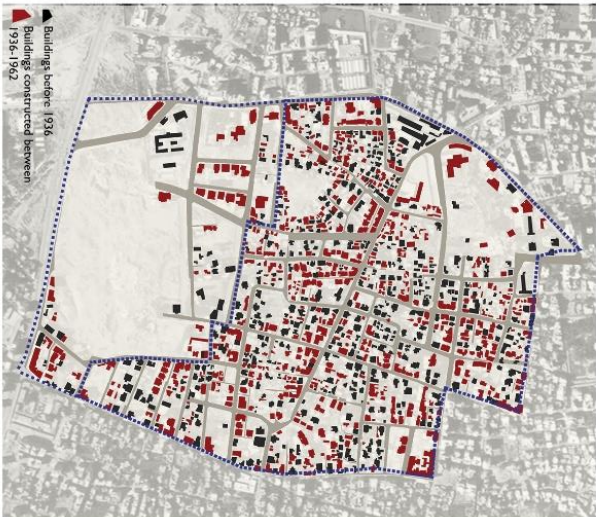
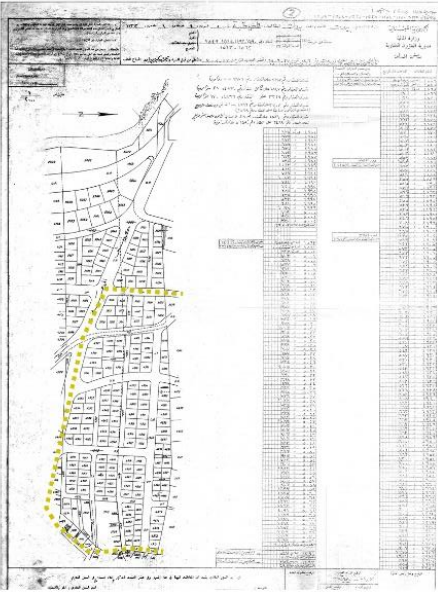
Decision 70/1954: Dividing Beirut into 10 area - Zoning Law

Law 0/1954: Land Pooling & Subdivision in inhabited zones

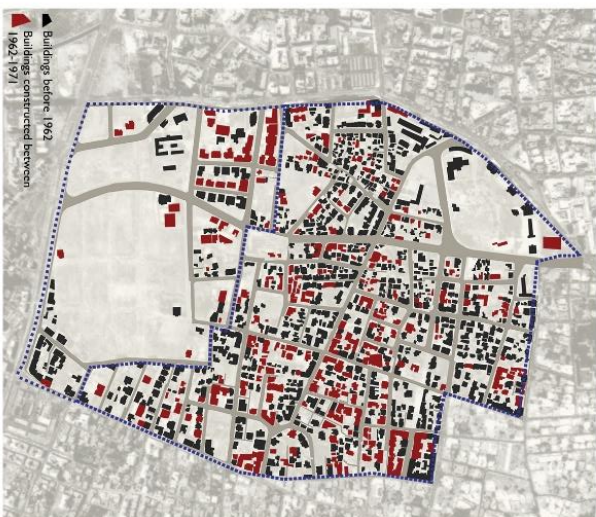
1958 conflict between pan-Arab opposition and pro-western state



Mufi Hasan Khaleed and Abdul Nasser
 Locating Dar El Fatwa in Aicha Bakkar



الجمعية الرسمية - المدة ١٩ - ١٩١٤/٢/٥
 من رسمه رقم ١٠٥٥٣
 اقتصر على التمتع بملكية المنازل القديمة والمركز المتخلف ببعض الضواحي في منطقة السيفية.
 ان لوائح الجمهورية اللبنانية
 بناء على الدستور اللبناني
 الاول ١٩٥٤ المعلق باسم الاراضي والزواجر في
 رقم ١٤٩٠ - ١٤٩٢ - ١٥١٨ - ١٥١٩ - ١٥١٢
 - ١٥١٣ من سلطة السيفية القارية في بيروت
 بناء على المرسوم رقم ١٥١٢ الذي وافق المجلس التشريعي في ١٢/١٠/١٩٥٣
 بناء على المرسوم رقم ١١٢٥٢ الصادر في ٤/١٢/١٩٦٢
 بناء على اقتراح وزير الداخلية
 بريس ميناوي
 المدة الاولى - تمتع من التملك الخاصة الممتدة
 المدة الثانية - المدة الاولى - ١٩٥٤ - ١٩٥٨ - ١٩٦٢ - ١٩٦٣
 - ١٩٦٤ من سلطة السيفية القارية في بيروت
 رقم ١٥١٢ و١٥١٣ المعلق باسم الاراضي والزواجر في بيروت
 المدة الاولى ١٩٥٤ و١٩٥٥ المعلق باسم الاراضي والزواجر في بيروت
 المدة الثانية - بتمتع المرسوم وتبلغ حصة
 المدة الثالثة - في ١٩ شباط سنة ١٩٦٤
 المدة الرابعة - اقرار تشكيل
 الجمعية



Buildings before 1962
 Buildings constructed between 1962-1971

“We used to leave the neighborhood with the sun would be behind us (sunrise), and come back home with the sun behind us (sunset)” (Mostafa, 2019).

As I will demonstrate in the next section, the outburst of the civil war changed the live-work dynamics in the neighborhood that brought along changes in the building typology of the neighborhood.

Politically, the rise of Jamal Abdul Nasser in Egypt and the upsurge of Arab nationalism in the 1950s reverberated in the context of Muslim communities in Lebanon, and received acceptance and support by the Muslim residents in Aicha Bakkar (YaBeyrouth, 2004; Al Jazeera, 2008; Sorby, 2000). Tension incrementally increased between pan-Arab opposition and the pro-western Lebanese president leading to the eruption of the first civil conflict in 1958. In the context of Aicha Bakkar, residents reported that “*Al Mourabitoun*” or the “*Independent Nasserist’s Movement*” was endorsed by Dar El Fatwa. Soon after the 1958 conflict, the street dynamics in the neighborhood of Aicha Bakkar increased the tension between Muslims and Christians: Photos of Jamal Abdul Nasser spread across the neighborhood and the streets, the Mosque of Aicha Bakkar was upgraded and enlarged, and “*Al Mourabitoun*” were in charge of the neighborhood and of the Mufti’s security (Samer, 2019) **(Figure 11)**.

A new residential pattern that aggregated Christians in East Beirut and Muslims in West Beirut was set soon after the conflict in 1958, and exponentially exacerbated with the onset of the civil war in 1975 (Al Jazeera, 2008; Sorby, 2000). Christians who moved from the neighborhood after 1958, held on to their properties in the neighborhood. With the outbreak of the civil war, most Christian landowners opted to sell their properties in

the area and left completely into Christian dominated neighborhoods. Likewise, Kurds, Arabs, and other Muslim residents moved from Christian dominated neighborhoods in Eastern Beirut such as Qarantina, Nabaa, and Mazraa to Aicha Bakkar to stay under the patronage of Dar El Fatwa.

During this period, apart from several master plan proposals and revisions, the city grew relatively unconstrained with no integrated development plan. A vertical addition of one or two floors on pre-existing buildings was allowed while horizontal expansion continued in Aicha Bakkar.



Figure 11 March with Mufti Hasan Khaled in Ibn Ruchd Street, Aicha Bakkar showing Jamal Abdul Nasser's Posters on the wall

Source: BookLebanon Facebook Page

As dispute over landownership was unfinished in Tallet El Khayyat, and with the increasing densification in the surrounding neighborhoods, residents in Aicha Bakkar recall taking Tallet El Khayyat as a recreational destination that they would visit frequently for a nice cold breeze and an afternoon picnic overlooking the sea. The area

still felt unsafe during the night and was seen as land of the wolves “*Al Wawiyi*”. Henceforth, the Tallet was a day destination only. With the increasing tension that came along from the conflicts between the leftist Pan-Arab and Lebanese President, advocates of Jamal Abdul Nasser and the Pan-Arab movement living in Aicha Bakkar and surrounding areas turned to the empty land in Tallet El Khayyat for practicing warfare, experimenting with bombs, and practicing street fights (**Figure 12 & Figure 14**). The pooling and subdivision of Tallet El Khayyat in the late 1960s, which allowed construction to start in the area, prevented this role from continuing during the civil war period.

In 1954, a new law was passed permitting pooling and subdivision of land in inhabited areas. The law permitted land pooling and subdivision for the expansion and beautification of cities and villages, and the benefit of public good. During this period, Ramlet El Bayda was being developed as a modern new model of the city, with its planned roads gridded parcels, and dedicated green spaces, which encouraged a similar trajectory in Tallet el Khayyat. Later in 1963, the owners of the four parcels filed a request for pooling and subdivision of their properties via decree 11353 (**Figure 13 & Figure 14**). The subdivision map was approved in 1968 (**Figure 15**). By that time, construction start appearing in Tallet El Khayyat rapidly and abruptly, before the outbreak of the civil war.



علم وخبر رقم ٢٥٤

تأسيس جمعية

اسم الجمعية : الجمعية المسماة « حركة التبشيرية الإنوتوكسية »
 مركزها : بيروت
 غايتها : بث الحياة الروحية والمسماحة في النهضة الثقافية وفي العمل الاجتماعي الخ ...
 هيئة إدارتها المسماة - الإرسنغفريت جورج هنري خضر
 - رينون جورج رزق
 - اليبر عيسى اللحام
 ممثل الجمعية تجاه الحكومة السيد اليبر عيسى اللحام

إن وزير الداخلية

بناء على المرسوم رقم ٧٩٩٦ تاريخ ١٩٦٦/١١/٤
 بناء على الطلب المقدم من مؤسس الجمعية المسماة « حركة التبشيرية الإنوتوكسية » مركزها بيروت .

أعطى العلم والخبر وفقا لإحكام المادة السادسة من قانون الجمعيات .
 بيروت في ٢٠ شباط سنة ١٩٦٤
 الإضاء : كمال جيلاط

علم وخبر رقم ٣٦١

تأسيس جمعية

اسم الجمعية : الجمعية المسماة « مركز التدريب على طرق التربية النشطة في لبنان »
 مركزها : بيروت
 غايتها : إعداد المدرسين والتربين الذين يتولون الاشراف على صيغيات الأولاد وبيوت الإخوات والنشاطات المدرسية وغير المدرسية والمسؤولين عن جلسات التربية عامة في لبنان وذلك بواسطة طرق التربية النشطة .
 هيئة إدارتها المسماة - الإرسنغفريت جورج هنري خضر

مرسوم رقم ١٥٥٥٣

اعتبار من المنافع العامة اشغال القوم والفرز المتعلقة ببعض المقارات في منطقة المصيطبة

إن رئيس الجمهورية اللبنانية
 بناء على الدستور اللبناني
 بناء على القانون الصادر بتاريخ ٧ كانون الأول ١٩٥٤ المنعلق بقسم الأراضي وفرزها في الأماكن الأهلة

بناء على الطلب المقدم من أغلبية مالكي المقارات رقم ١٤٩٠ - ١٤٩٣ - ١٥٤٨ - ١٥٤٩ - ١٥٦٣ - ١٥٦٣ من منطقة المصيطبة المغارة في بيروت
 بناء على الدروس التي قامت بيسا الدائرة المختصة في مديرية التنظيم المدني

بناء على المرسوم رقم ١١٣٥٣ تاريخ ٤ كانون الأول ١٩٦٢
 بناء على اقتراح وزير الداخلية

يرسم ما يأتي :

المادة الأولى - تعتبر من المنافع العامة اشغال القوم والفرز المتعلقة بالمقارات ذات الإرقام ١٤٩٠ - ١٤٩٣ - ١٥٤٨ - ١٥٤٩ - ١٥٦٣ - ١٥٦٣ من منطقة المصيطبة المغارة في بيروت ، وتجرى وفقا لإحكام القانون الصادر بتاريخ ٧ كانون الأول ١٩٥٤ ووفقا للخريطة المرفقة (١) .

المادة الثانية - ينشر هذا المرسوم ويبلغ حيث يدعو الحاجة .

النفق في ١٩ شباط سنة ١٩٦٤
 الإضاء : فؤاد شهاب

صدر عن رئيس الجمهورية
 رئيس مجلس الوزراء
 الإضاء : رشيد كرامي

وزير الداخلية
 الإضاء : كمال جيلاط

(١) ان الخريطة المرفقة المصغرة مودعة لدى...

Figure 12 (Top Left) Photo showing clear divide between unurbanized Tallet el Khayyat and Urbanized Aicha Bakkar, Source: Amin Al Maaz Facebook Page

Figure 13 (Right) Decree 15553 - Pooling and Subdivision of Tallet el Khayyat for Public Good Source: Official Gazette

Figure 14 (Bottom Left) Photo overlooking Tallet el Khayyat Hill - Early 1960s Source: Amin Al Maaz Facebook Page

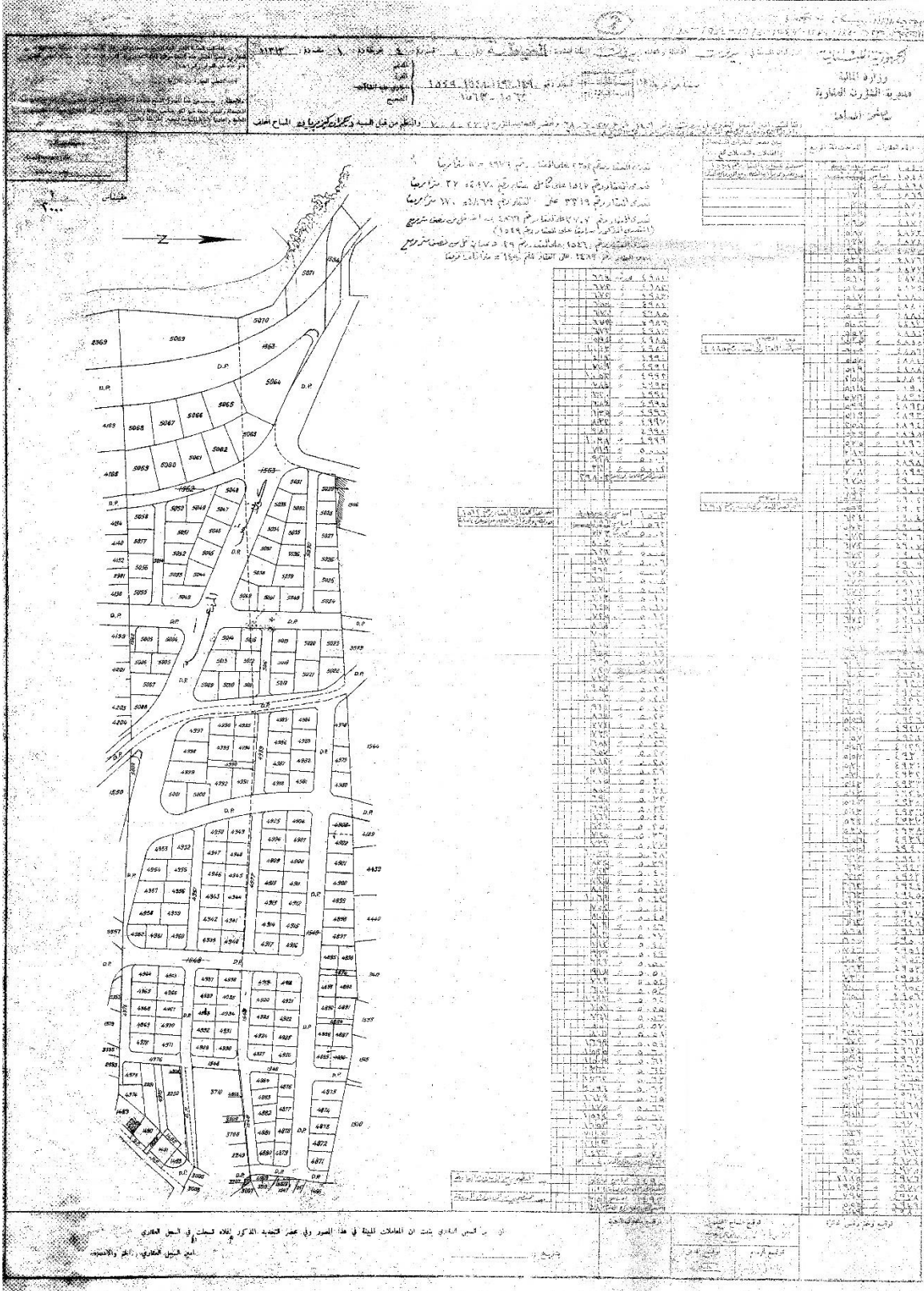
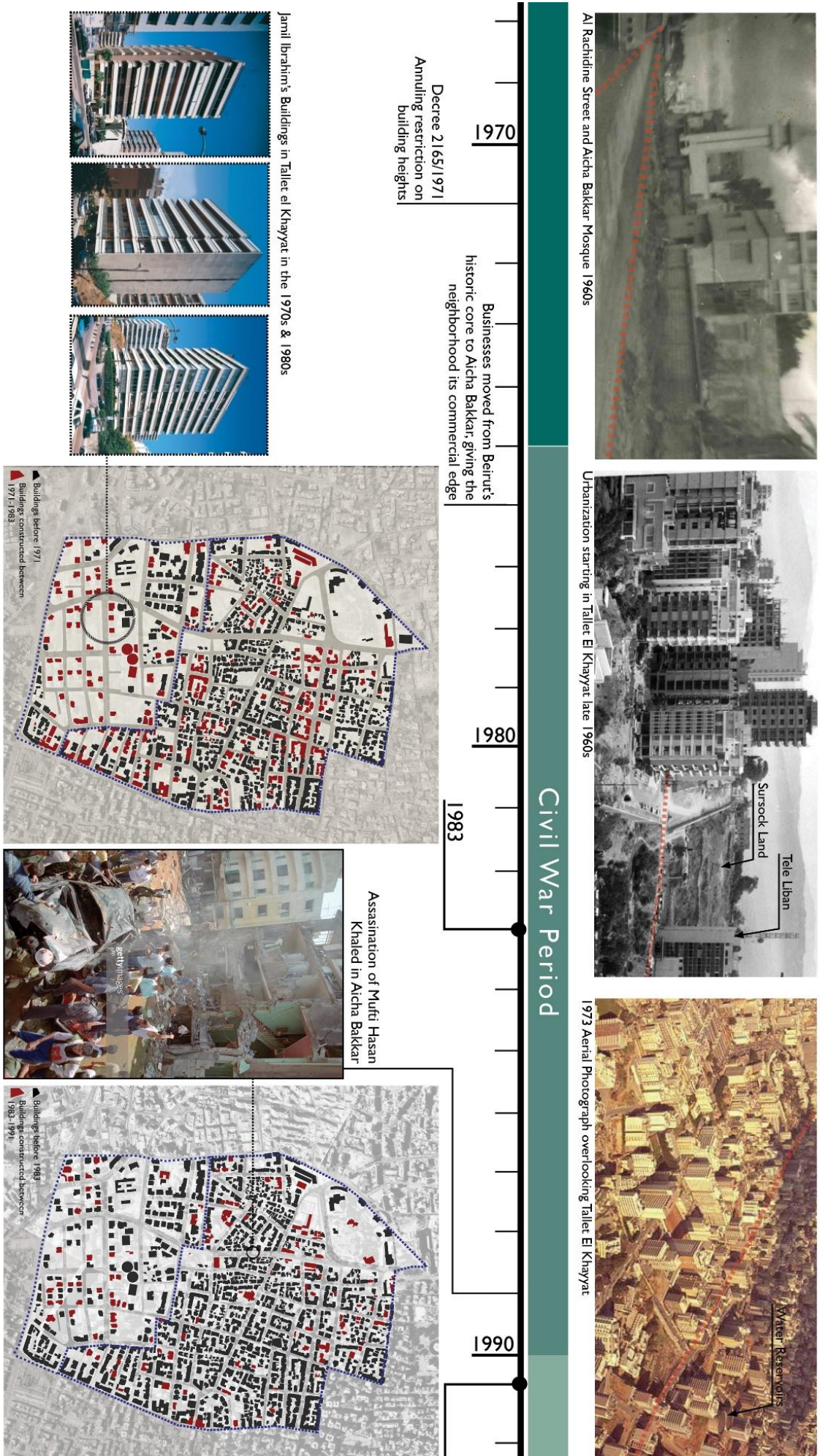


Figure 15 Land Pooling and Subdivision Map of Tallet el Khayat, year 1968
Source: Land Registry

4. Civil War Period (Figure 16)

Just as other neighborhoods that were not located near the demarcation line, the neighborhood of Aicha Bakkar boomed and unfolded as a commercial-residential neighborhood during the civil war period (1975-1990). Aicha Bakkar's population grew during the civil war as it housed a substantial number of Muslim refugees. In 1971, Decree 2165 was passed annulling restriction on building height and increasing the permitted exploitation rights. This brought along changes in the neighborhood's fabric through encouraging landowners to demolish their single houses and to develop profitable condominium buildings with the increasing demand for housing. The complex construction methods that came along the increase in building heights triggered a need for professional developers and engineers. Consequently, landowners were more compelled to either partner with the Engineer or pay them lump sums to design and supervise the construction of new buildings. The civil war period therefore witnessed demolition-based urban developments and vertical densification in Aicha Bakkar. Additionally, the neighborhood of Aicha Bakkar emerged as a mixed-use commercial district. Many of Aicha Bakkar's residents who had businesses in Beirut's core moved their businesses into the neighborhood during the civil war. New buildings in the area accommodated for the emerging need by designing commercial spaces on the ground floor. Additionally, Al Rachidine Street that cut through the neighborhood in the early 1970s connecting the neighborhood to surrounding areas and accentuating the neighborhood's commercial edge. Some of the well-known businesses who have moved from Beirut's historic core to Aicha Bakkar are Knio suppliers for mechanical equipment, Dimashkiyi hardware store, Sousi Breakfast restaurant, Karout Arabic Sweets, Hawwari

Figure 16 Urban Development Timeline - Civil War Period
 Source: Author, Maps based on aerial photographs obtained from ArcGIS



Butcher shop, Rachidi sweets and pastry, Harb dairy products, and Wattar's restaurant, etc.

Despite being away from the demarcation line, the neighborhood of Aicha Bakkar witnessed occasional conflicts and assassinations, most knowingly the assassination of Mufti Asaf, Mufti Hasan Khaled, and attack of Prime Minister Salim El Hoss who still lives in the neighborhood. Several political parties were active in the neighborhood during this period such as *the Independent Nasserist Movement*, *the Union of Arab Communists*, *the Forces of Salah El Dine*, *the Syrian Socialist Movement*, and *the Lebanese communist party*, etc. The pace of development slowed during the 1980s because of the depreciation of the Lebanese pound, and the dramatic increase in land prices. It picked up again in the post-civil war period (Salah, 2019).

After the land pooling and subdivision of the parcels in Tallet El Khayyat in 1968, Al Rachidine road was cut linking Saeb Salam to Aicha Bakkar and providing access to Tallet el Khayyat hill. From that point, buildings started popping up in the neighborhood¹¹. Property owners in Tallet El Khayyat have either hired professional consultants or partnered with high profile developers to manage the development of the subdivided lots in the neighborhood. The development of the neighborhood was rapid and intensive and came at a one stroke. Professional developers among which Adnan Adada (AUB Graduate & Civil Engineer), Jamil Ibrahim were one of the major actors involved

¹¹ A narrative that circulated among several old time residents that the land was traded or sold to politicians at really cheap prices such as Rachid Karame, Ameen Jemayil, Saeb Salam, Camille Chamoun, etc. According to an interview I conducted with an old developer that happened to be the property consultant of properties of Rachid Karame, Karame had owned more than 15 properties in the area. This should be further validated through property title deeds from the Land Registry

in the development of Tallet El Khayyat. These developers opted to apply modern conceptions that were previously implemented in adjacent Ramlet El Bayda. At the same time, demand for upper income housing had increased significantly in Beirut following the ascendance of Arab Socialist Ba'ath Party in Syria, and the institution of socialist policies of **nationalization** and **land** reform after 1963 (Saleh, 2019). Consequently, wealthy Syrians saw great opportunities in purchasing apartments in Beirut. By that time, Tallet El Khayyat was emerging as a new, modern residential block with locational advantage, sea view, modern building technologies and large apartment size encouraging Syrians to invest in the area. By the 1980s a new block was established next to Aicha Bakkar, defined as high end, calm, and modern. It contrasted the urban fabric of the relatively old adjacent neighborhood, which by the time became deteriorated, congested, and inhabited by lower income residents who fled to the neighborhood during the civil war.

B. Aicha Bakkar

1. Boundary & Physical Structure

Today, Aicha Bakkar is best known as a lower middle-class Sunni neighborhood of Beirut. In the awareness of Aicha Bakkar's residents, the neighborhood's boundaries stretch along *Al Rachidine Street*, also referred to as *Aicha Bakkar Street* "share' Aicha Bakkar" or *Television Street* "share' el talvizyon"(Figure 17,

Figure 18, & Figure 19).



Figure 17 (Top Right) Hasan Khaled Garden prior its demolition

Source: Author, November 2018

Figure 18 (Left) Location Map - Aicha Bakkar - Source: Author

Figure 19 (Bottom Right) Tallet el Druze - Source: Author, November 2018

The neighborhood is still perceived by its old-time residents as one closely knit region despite the physical fragmentation that Al Rachidine Street has caused. Albeit this fluidity in delineating a clear boundary of Aicha Bakkar, the intersection between *Al Rachidine* and *Ibn Rouchd Street* is commonly recognized by Beiruti residents as the neighborhood's prominent node "عصب المنطقة". Aicha Bakkar Mosque is located at the intersection while other economic, political, and religious activities stretch along Al Rachidine and Ibn Rouchd Street. Aicha Bakkar's organic street network reflects the incremental addition of streets over the past 100 years to serve the parcels and blocks they bound. The street pattern in Aicha Bakkar has significantly changed since it started urbanizing in the 1920s (**Figure 20**). The gradual increase in parcel subdivisions that came as a result of population growth and densification has led to the introduction of unplanned privately-owned dead-end roads "zawarib". *Al Rachidine Street* is the only street that was added

in the neighborhood as a result of the 1954 master plan linking Saeb Salam highway to Sanayeh. Aicha Bakkar is known for its relatively poor infrastructure, congested streets, and deficient services.

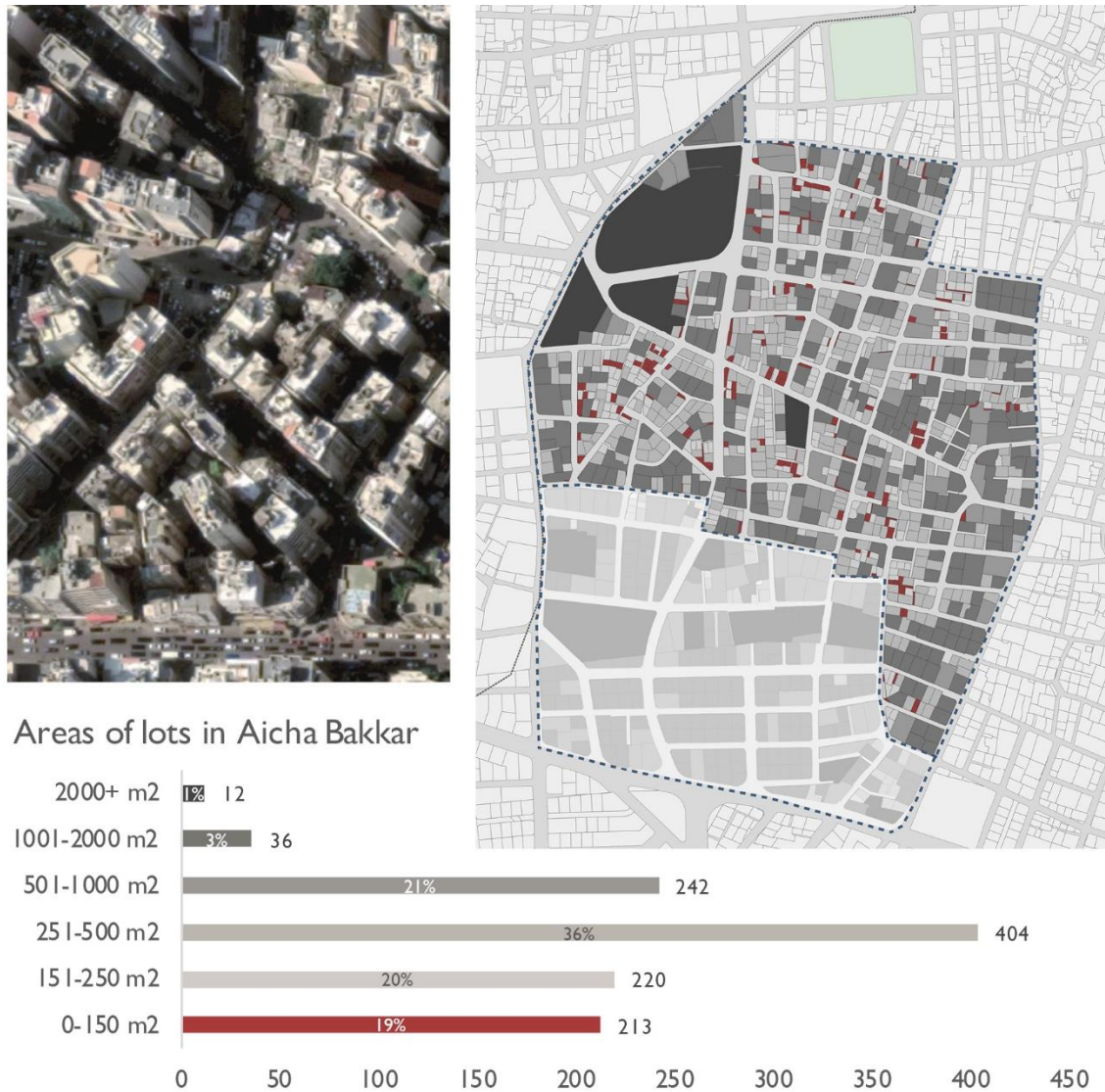


Figure 20 Lot Areas (in m²) in Aicha Bakkar
Source: Author, based on data obtained from Beirut Urban Lab

Despite the presence of Dar Al Fatwa and "صندوق الزكاة" *Zakat Fund* buildings in the neighborhood, which are often visited by prominent political and religious figures, the infrastructure on Ibn Rouchd Street is also very poor. The street is flooded by sewage and

domestic water most of the time, it is poorly lit at night, and the sidewalks are frequently piled with trash due to the lack of a dumpster on the street.

The economic activities in Aicha Bakkar can be categorized as following:

Service businesses and small-scale industrial shops, including car mechanics, computer and electrical outlets, doctors' clinics, etc. The service centers are mostly concentrated at the center of the neighborhood- on the secondary streets of Rida Al Soloh, Kamel Al Sabbah, Rue Jamal...

Retail and commercial shops including a fish market, a gold souk, a vegetable market etc. are concentrated on the Ibn Rouchd Street- the neighborhood's main commercial artery. The street is congested with small shops adjacent to one another: Residents - mainly women, get their fish, vegetables, and groceries from the neighborhood during the morning time. The gold jewelry market is also a vibrant industry in this neighborhood.

Recently leisure and recreational shops, such as restaurants, cafes, mostly on Al Rachidine Street. The cafes have started popping up in the past 10 years, on the ground floor of new buildings.

2. Zoning, Parcels, & Building Typologies

The neighborhood of Aicha Bakkar falls predominantly under Zone 4 which allows for 50% ground floor exploitation, and 3.5 total exploitation coefficient. The minimum constructible lot under Zone 4 is 150 m² (**Figure 20**). Consequently, the new fabric in the area is dense; buildings occupy small foot prints, are adjacent to each and are generally

more than 10 floors, and apartment areas predominantly range between 140 m² and 200 m².



Figure 21 (Bottom) Cafes, exclusively for men, Kamel Sabbah Street, Aicha Bakkar

Source: Author

Figure 22 (Top Left) Car Mechanic and service zone, Kamel Sabbah Street, Aicha Bakkar

Source: Author

Figure 23 (Top Right) Vegetable and Fruits Market, Ibn Ruchd, Aicha Bakkar

Source: Author

3. Institutions, Centers, & Organizations

The neighborhood has been historically organized around the presence of Dar El Fatwa whose presence galvanized Sunnis around it and has led to the proliferation of several religious organizations and political alliances and affirmations. The production of mundane geographies (Bou Akar, 2012) arguably reflects a strong religious and political

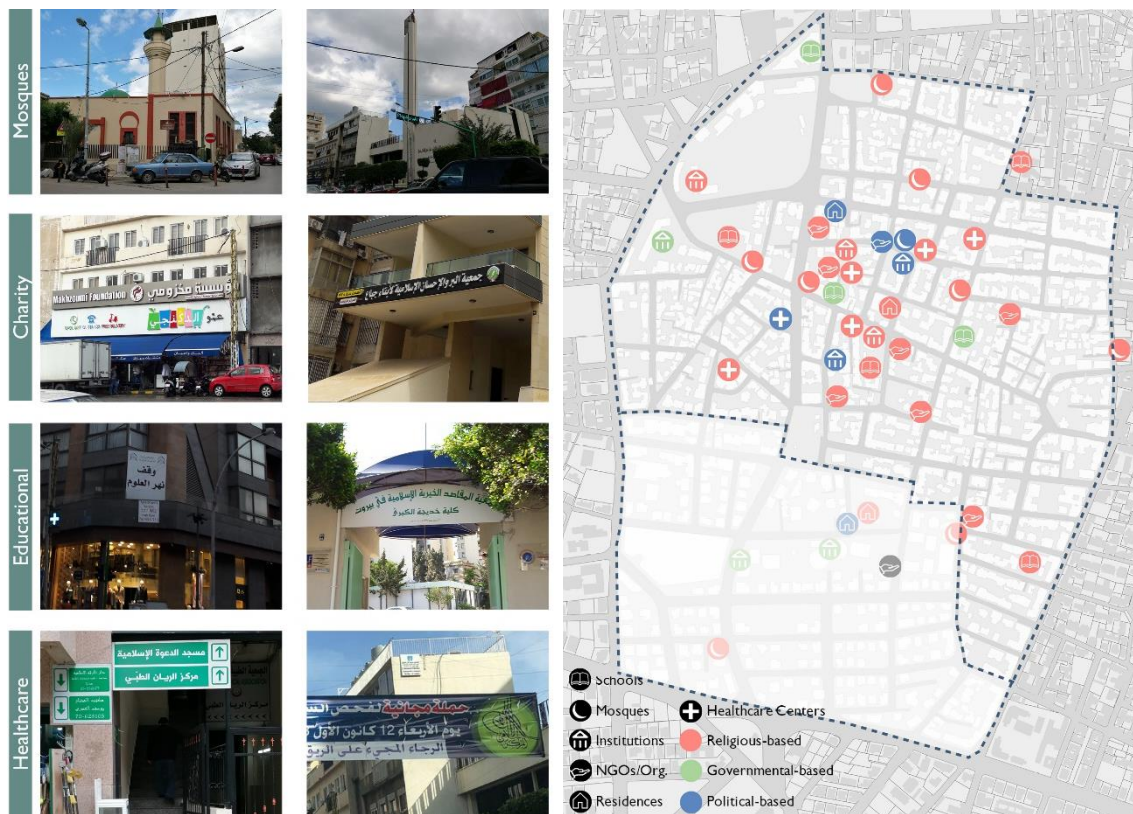


Figure 24 Institutions in Aicha Bakkar
Source: Author, based on survey

presence in Aicha Bakkar. Religious homogeneity and a strong identification of the residents in the neighborhood with the Muslim Sunni sect is translated and reflected in the neighborhood's-institutional fabric, street names, and spatial practices. The neighborhood contains more than 7 adjacent mosques, in addition to other religious centers. Streets in the neighborhood are named in reference to religious figures: *Al Rachidin, Taha Al Wali, Al Azhar, Hachim Al Khalil, Ibn Hambal*. People are expected

to dress modestly on the streets, especially in the areas closer to the Ibn Rouchd-Al Rachidine node. Many women living in the neighborhood wear a veil. Also seeing a woman wearing *niqab*¹² and men wearing beards and *abaya* in the neighborhood is also common. Men living or working in the neighborhood visit the nearby mosques regularly for performing their daily prayers or for religious lessons. Mosques in the neighborhood are very active and usually include an events hall where marriage ceremonies, religious events, and/or condolences are held, giving the mosque a central role in the community. Religious institutions and organizations have also established several infirmaries, schools, clinics, and other services in the neighborhood making healthcare and education in the neighborhood accessible for lower income groups. Nevertheless, this also demonstrates that services in the neighborhood are heavily mediated by Sunni political



Figure 25 Political Representations in Aicha Bakkar
Source: Author, Field Survey

¹²A niqab is a veil for the face that keeps the area around the eyes clear

leaders and religious organizations. Fawaz (2004) has explained that this is a common phenomenon across most of the neighborhoods in Beirut, whereby welfare services were often neglected by the state and left mostly to religious authorities and political sectarian groups, encouraging sects to be self-sufficient because they cannot rely on weak or absent state institutions. This is clearly manifested through the large number of political and religious institutions in the neighborhood and the active role they have in the production of space in the neighborhood¹³. Consequently, Aicha Bakkar acquired an important sectarian and political institutional role in the city of Beirut.

The Mufti of Dar El Fatwa have played an important role in how the neighborhood is politically represented. Despite the presence of several political parties in the neighborhood such as the Arab Nationalists, the Islamic wing represented by Jama'a Islamiyi, and the Kurds, the residents of Aicha Bakkar are largely affiliated to Hariri's future movement (**Figure 25**). This has been particularly reinforced since Dar El Fatwa represented by its Mufti has endorsed on several occasions the future movement and encouraged its Sunni parish to vote for the Hariri¹⁴. Muftis have always been respected and obeyed among the residents of the neighborhood, particularly because they usually live in the neighborhood, and are well-known among the residents.

4. Current Condition: Vacancy Rate, Average Apartment Prices, and Rent

No sufficient data is available on the social composition of residents in the neighborhoods of Aicha Bakkar and Tallet El Khayat. An earlier study on the neighborhood of Aicha Bakkar, shows that in 2006, 84% of the interviewed residents

¹³ Addressed in Chapter 3

¹⁴ 2018 Elections

lived in the neighborhood for more than 10 years, whereby 35% of them were income generating only. More interestingly, 43% of the interviewed sample were under rental contracts, while 57% of the surveyed sample said they own the apartment they live in mostly living in buildings with 3 floors or less (El Zein & al., 2006).

According to the Beirut Building Database, 1926 apartments were added to the neighborhood's housing stock since 1996. Nonetheless, 25% of these apartments are vacant today (with 12% unsold and 13% uninhabited). Despite the high vacancy rate in the neighborhood and the stagnant market conditions, 22 buildings were still under construction in the neighborhood in 2018, comprising 17% of the total buildings developed in the neighborhood since 1996. According to the Beirut Building Database,

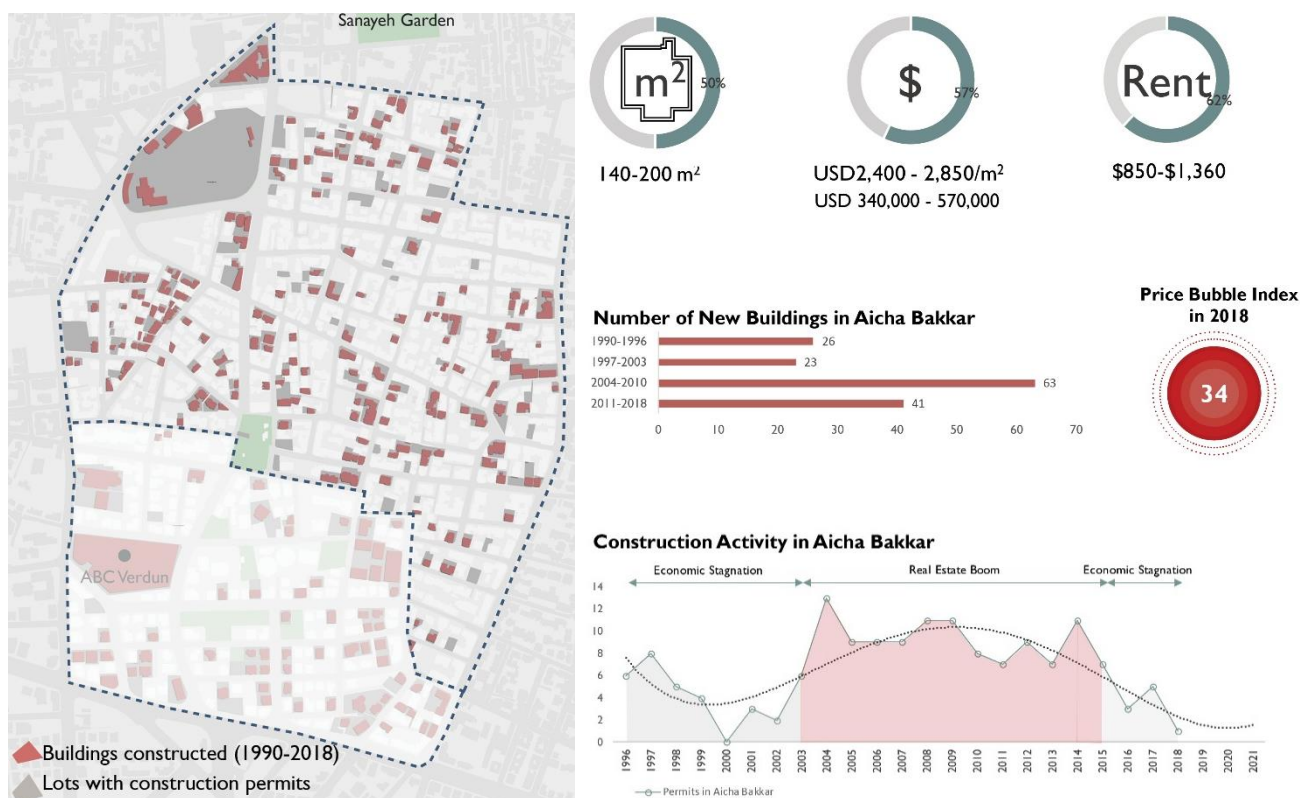


Figure 26 Buildings Developed in Aicha Bakkar (1990-2018), Average Apartment Areas, Apartment Prices, Rent, and Construction Activity

Source: Author, based on field survey obtained from Beirut Urban Lab

buying a 140 m² apartment in Aicha Bakkar¹⁵ will cost between \$340,000 and \$570,000, while monthly rent would cost between \$850 and \$1,360 (**Figure 26**).

C. Tallet El Khayyat

1. Boundary & Physical Structure

Directly adjoining Aicha Bakkar, Tallet El Khayyat occupies the southern segment of Al Rachidine Street. It is best known as a calm upper income residential neighborhood located on the hill of Moussaytbeh within walking distance from Unesco Palace, Verdun Street to its west and Mar Elias Street to its east. There are no natural or infrastructural breaks that separate Tallet El Khayyat from Aicha Bakkar, yet there are clear visible differences in the neighborhoods' block structure, built environment, and economic activities (**Figure 27**).



Figure 27 Tallet el Khayyat Location Map
Source: Author

¹⁵ In Buildings developed after 1996

As mentioned in the first section, the neighborhood's first urbanization came much later than other Beirut neighborhoods starting in the early 1970s, after four properties totaling more than 200,000 m² were pooled and subdivided via Decree 11353 in 1963. By the late 1960s, new modern conceptions of urban planning were adopted and being applied. The municipality followed those conceptions mainly in the subdivision of Tallet El Khayyat. The street pattern is hierarchal and following a grid-like scheme. The road layout was designed and executed in 1975 through municipal decision 135/1975. The roads remained municipal property until 1994 when they were assigned as public domain via decree 206/94.

The parcels in Tallet El Khayyat are rectangular shaped, monotonous 500 – 600m² lots, corresponding to the minimum parcel area after subdivision as stipulated by the 1954 zoning law through *Decision 70/1954* (**Figure 28**). The neighborhood is predominantly residential. According to the Beirut Building Database, the ground floor space of 85% of the buildings developed after 1996 in the neighborhood do not have commercial units. Yet, the neighborhood still includes some economic activities that are very different from Aicha Bakkar's economic activities and can be categorized as following:

Upmarket retail and commercial shops such as Cheese and Olives (Fakhani), car showrooms, bookshops, a flower shop, etc.

Upmarket Leisure and recreational spaces such as ABC Verdun Mall, high end cafes mostly close to Verdun Street.

No service businesses were found in the neighborhood, except for some engineering offices.



Figure 28 Lot Areas in Tallet el Khayyat
Source: Author, based on data obtained from Beirut Urban Lab

2. Zoning, Parcels, & Building Typologies

Tallet El Khayyat falls under Zone 5, which stipulates 40% surface exploitation and 2.5 total exploitation coefficient. The minimum constructible lot area under Zone 5 is 500 m² which explains why more than 50% of the lots in the neighborhood are between 500 m² and 600 m² (**Figure 28**). The morphology in the area looks like a replica of the modern city: Streets are wide grid-like and hierarchal. They are controlled by surveillance

cameras and private security guards. Buildings are free standing and surrounded by a garden, common space, or play area according to modern standards. Building height range between 7 to 12 floors. Apartment sizes are relatively big, with 95% more than 200 m².

3. *Institutions, Centers, & Organizations*

Tallet El Khayyat was primarily conceived as an upper income neighborhood. The presence of institutions in the area is limited to a number of governmental institutions and business associations. According to Article 18 of the land pooling and subdivision law dated 07/12/1954, the state or the municipality has the right to expropriate 25% of the total pooled area. Therefore, the state has established several institutions in the neighborhood such as a Water Company, the national Lebanese Television (Tele-Liban), etc. On



Figure 29 Street Surveillance in Tallet el Khayyat
Source: Author

the other hand, private initiatives have also found Tallet El Khayyat a good location for the establishment of their NGOs, such as IRADA and Ajyalouna. IRADA is an NGO that aims to provide a networking platform for (mostly Sunni) businessmen in Lebanon. Ajyalouna is a charitable organization engaged in charitable, healthcare, educational, and social programs. Organizations in Tallet El Khayyat do not have a visible religious, sectarian or political identity. Nonetheless, an investigation on the board members of those organizations shows that sectarianism is still embedded and was re-inscribed in those organizations.

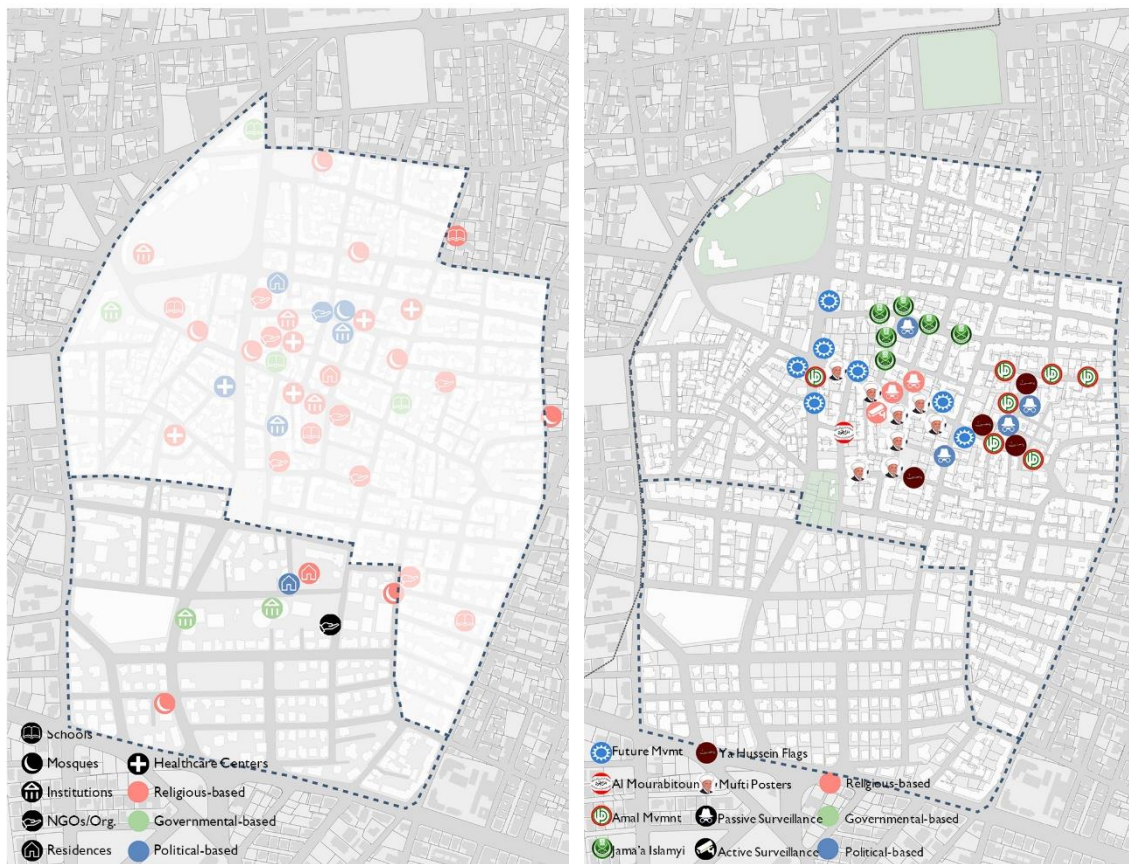


Figure 30 Absence of Institutions in Tallet el Khayyat
Source: Author, based on field survey

4. Current Condition: Vacancy Rate, Average Apartment Prices, and Rent

According to the Beirut Building Database, 10% of the apartments developed after 1996 in Tallet El Khayyat are unsold, while 21% are uninhabited. The high vacancy in the area corresponds to the high involvement of owner-developers in the neighborhood. 20% of the developments after 1996 in the neighborhood were developed by wealthy landowners, who lived abroad and left the whole building empty, or occupied one or two floors of the whole complex.

Housing in Tallet El Khayyat is more expensive than Aicha Bakkar. Buying a 200-250 m² apartment in the neighborhood would cost between \$700,000 and \$1,000,000. Renting a 200-250 m² is more likely to cost between \$1,200 and \$2,000 according to the Beirut Building Database (Figure 31).

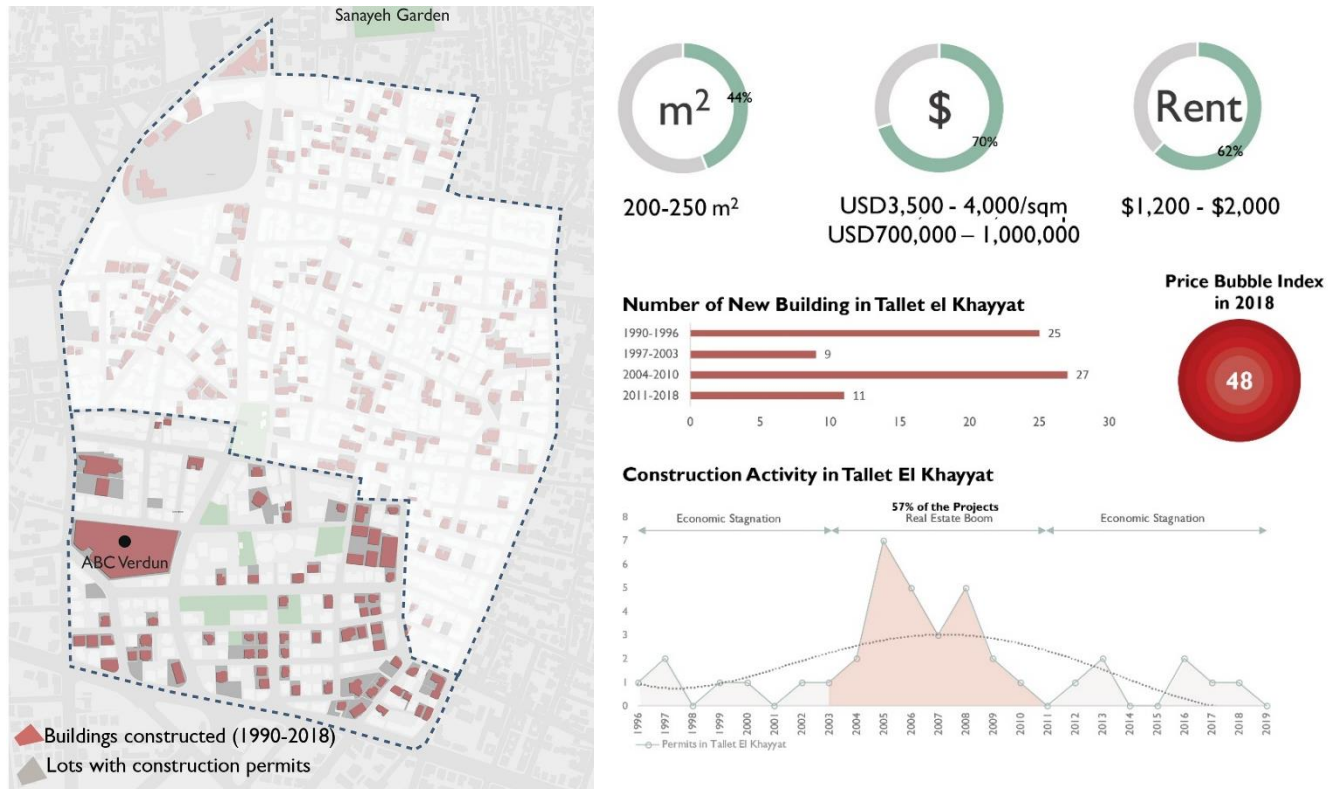


Figure 31 Construction Activity, Average Apartment Area, Prices, and Rent
Source: Author, based on field survey obtained from Beirut Urban Lab

D. Conclusion

In conclusion, Path dependency of the original planning has paved the way for how housing is being produced in the two neighborhoods today, which is continuing to target roughly the same income and religious groups. While housing production in Aicha Bakkar is deeply entrenched to a set of religious anchor institutions (Dar El Fatwa) housing production in Tallet el Khayyat is set according to a government based planned city that follows moderns standards and targets upper income families.

CHAPTER 3

THREE CATEGORIES OF DEVELOPERS

In the past two decades, greater emphasis has been placed by the land and housing literature on studying the strategies and practices of real-estate developers and their role in housing production and the management of development activity (Brandsen, 2001; Marot, 2018). Researchers examined real estate developers' practices in different housing market segments or *submarkets* through a set of dimensions - such as "*patterns of land acquisition, social networks, land subdivision, degrees of legality, discretionary practices, behavior, relative profitability, etc.*" (Ward & Jones, 1994, p. 19).

Studies of real estate developers in the city of Beirut have often centered on what Marot (2018) has termed "*institutionalized professional builders*" while neglecting the role of other actors operating in different market segments in Beirut (Wierzbowski, 2010; Krijnen, 2016; Marot, 2018; Tierney, 2017). The new cutting edge "*professional class*" is usually compared to *only one* other category of developers who are often depicted as amateurs, disorderly, and short-sighted. In his dissertation, Marot (2018) identifies two categories of developers: "*First, small and medium sized amateur developers, representing the majority of operators... In general, they repeated the mistakes of their predecessors during the first property cycle, they created cash flow with buyers' prepayments, and started construction as soon as 25% of the units are sold... Second, the 2000s witnessed the rise in importance of institutionalized developers undertaking large-scale, upmarket projects...*" (Marot, 2018, p. 367).

As noted in the main argumentation line of the Beirut Building Database project that looks at the “actually existing financialization of land”, those general statements fail to account for socially rooted factors that relocate market forces within the dynamics of specific cities and neighborhoods. They generally accept the premise of a single (or dual) housing market, missing the complexity of segmented markets along family or sectarian lines in the case of Beirut. They also tell us little about the strategies that *various* groups of developers devise in order to secure their positions in the housing markets, often reducing them to profit seeking and maximizing agents (Marot, 2018). Hence, more work is needed to complement the narratives constructed around actors in middle-income neighborhoods in Beirut, to unravel various market segments, their spatial localization in the city, and the type of social agents/developers who intervene in each of these segments.

This chapter investigates the profiles of real estate developers who have operated in the neighborhoods of Aicha Bakkar and Tallet El Khayyat in the post-civil war era. I distinguish across developers depending on their own personal social background and trajectory, the market strategies they adopt (sources of financing, networks connecting to the state agencies, to professional designers, and to clients, selection of the housing product), the scale of their interventions and the organization of their enterprise, I distinguish between three groups of developers operating in the two neighborhoods. I show that within the two neighborhoods, there is a dominance of non-professional, one-time only developers. I further show that the social configuration in the two areas reflect the kind of opportunities open for developers in each of the two areas: Tallet el Khayyat is predominantly developed by larger-scale, “*Corporate*” developers and one-time land owners, while Aicha Bakkar is predominantly developed by smaller-scale “*Neighborhood*

Developers” and one-time “*Amateur Developers*”. This suggests a higher level of informality/risk in lower class neighborhoods where it is likely that clients/future homeowners are subjected to higher risks of fraud or failure given the lack of professional developers.

To trace the different categories of developers operating in the two neighborhoods, I relied on the Beirut Building Database to trace the intensity of the development activity of the developers who have operated in the two neighborhoods in the post war period. Accordingly, I conducted semi-structured qualitative interviews with 20 out of a total of 100 developers who have operated in the two neighborhoods. Selection of the interviewees was based on a stratified random sampling method according to the number of projects per developer¹⁶. Based on the data collected from the interviews, I identified three categories of developers based on a recurring pattern in their profile and market strategies. The data was also complemented with online research of websites, advertisements.

The categories I have identified¹⁷ are: *Neighborhood Developers*, *Corporate Developers*, and *Amateur Developers* (**Figure 34**). The chapter is divided into four sections. First, I start by comparing the three categories of developers in relation to their year of entry to the development market, overall development activity across time, and their locational preferences in relation to the two neighborhoods. Then, the following sections examine the profiles and professional trajectories of each of the three categories

¹⁶ And the willingness of the developers to be interviewed, noting that only two developers declined the interview request

¹⁷ I conducted 20 qualitative interviews with real estate developers based on a representative sampling method

of real estate developers, also looking at the market strategies they adopt to access and sustain their position in the market.

A. A Comparative Overview: Three Categories of Developers

As mentioned earlier, three categories of developers were identified in Aicha Bakkar and Tallet El Khayyat: *Neighborhood Developers*, *Corporate Developers*, and *Amateur Developers*. Before looking into the profiles and market strategies of the three categories of real estate developers, it is worth comparing their development activity in the market, year of entry to the market, and the geographical concentrations of their projects.

1. Entry to the Market (Figure 32)

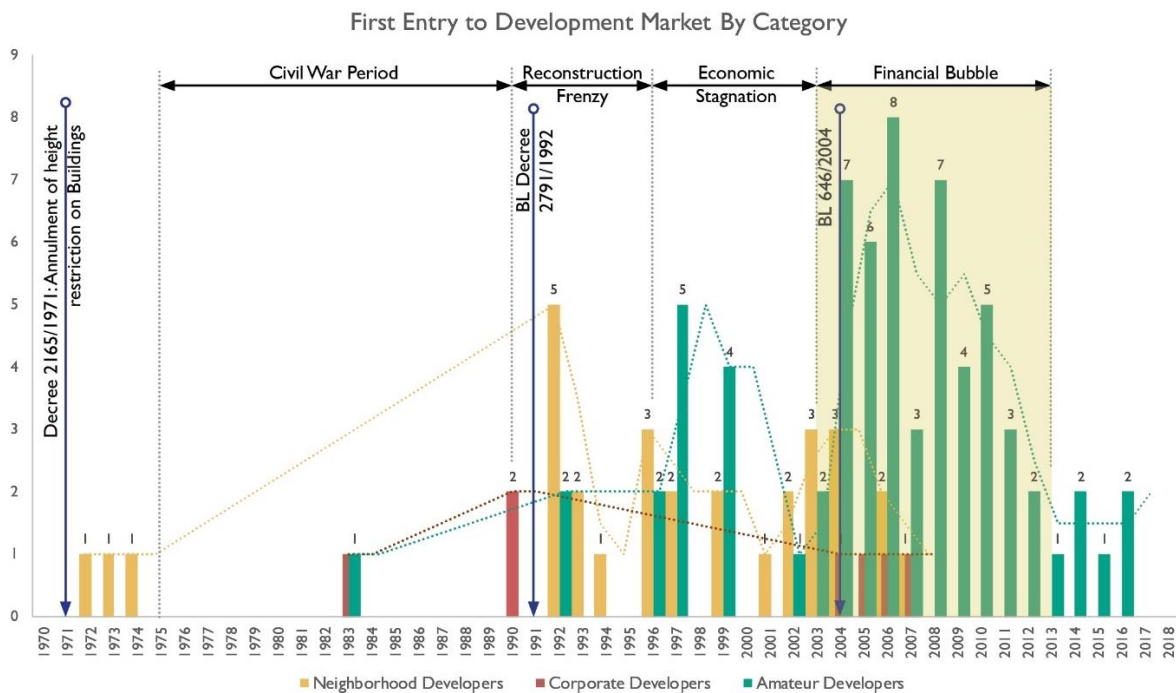


Figure 32 Entry to the Market per Category
Source: Author

Neighborhood developers who operate in the Aicha Bakkar and Tallet El Khayyat entered the market during three decisive moments. The first group of *neighborhood developers* entered the development industry in the early 1970s. During this period, an amendment to the building law (Decree 2165/1971) was issued annulling height restriction on buildings and increasing the allowable street width to building envelope ratio. The provision to the building law, the subdivision of Tallet El Khayyat¹⁸ in the early 1970s, and the increased demand for housing brought in new professional¹⁹ entrants to the housing market to work along with owner builders. Additionally, the outbreak of the civil war in 1975 brought along considerable change in the spatial demographics of neighborhoods, resulting in excessive influx of Muslims into the neighborhood of Aicha Bakkar²⁰. The second group of neighborhood developers entered the market in the early 1990s by the end of the civil war. Most *developers* in this group started operating during this period. Aside from the post war construction frenzy in the early 1990s, another amendment to the building law (2791/92) was issued in 1992 further increasing the allowable street width to building envelope ratio. Finally, the third group of entrants from this category started operating in the mid-2000s. During this phase, land prices had escalated drastically, and a new, more intensive building law was released in 2004 (646/2004)²¹.

¹⁸ Addressed in Chapter 2

¹⁹ By “professional” I mean “Engineers”

²⁰ The presence of Dar Al Fatwa in Aicha Bakkar contributed to giving the neighborhood its Islamic Edge, whereby the Dar was viewed as the protector and guardian of Muslims during this stage (Salah, 2019). Muslims mainly came from Christian dominated neighborhoods such as Qarantina, Naba’a, Mazraa, etc.

²¹ The 2004 building increased the building volumes, by excluding services from the allowable built up area

Corporate developers in Aicha Bakkar and Tallet El Khayyat or what Marot (2018) refers to as *returnee city builders*, mainly made their main entry into the development practice during the second cycle of the property boom starting 2004. They had already established contracting companies in other neighborhoods of Beirut²² and development seemed like the natural transition in the mid-2000s, given the strong networks in the construction industry that they were able to develop all along and the promising yield that could be expected from upmarket real estate development during this phase. During this period, diaspora remittances increased following the economic crisis in the Gulf and USA, reaching a surplus of \$7.9 billion in 2009 (Marot, 2018). The over liquidity in the country was used in financing real estate projects, whereby construction loans accounted for 17.35% of all issued loans in 2013 (against 15.33% in 2009) (BlomInvest Bank, 2015).

Amateur Developers are unprofessional real estate developers, who were lured by the *get-quick-rich* appeal of the lucrative business of housing development during the boom years, even though they do not have previous experience in the development industry. They have mainly entered the real estate development industry during the peak phases in the mid-1990s and/or mid-2000s. Most of these developers had only 2 or 3 projects throughout their professional history, and do not work consistently in one location or neighborhood.

²² The contracting companies were either established in the late 1970s or early 1990s

2. Development Activity (Figure 33)

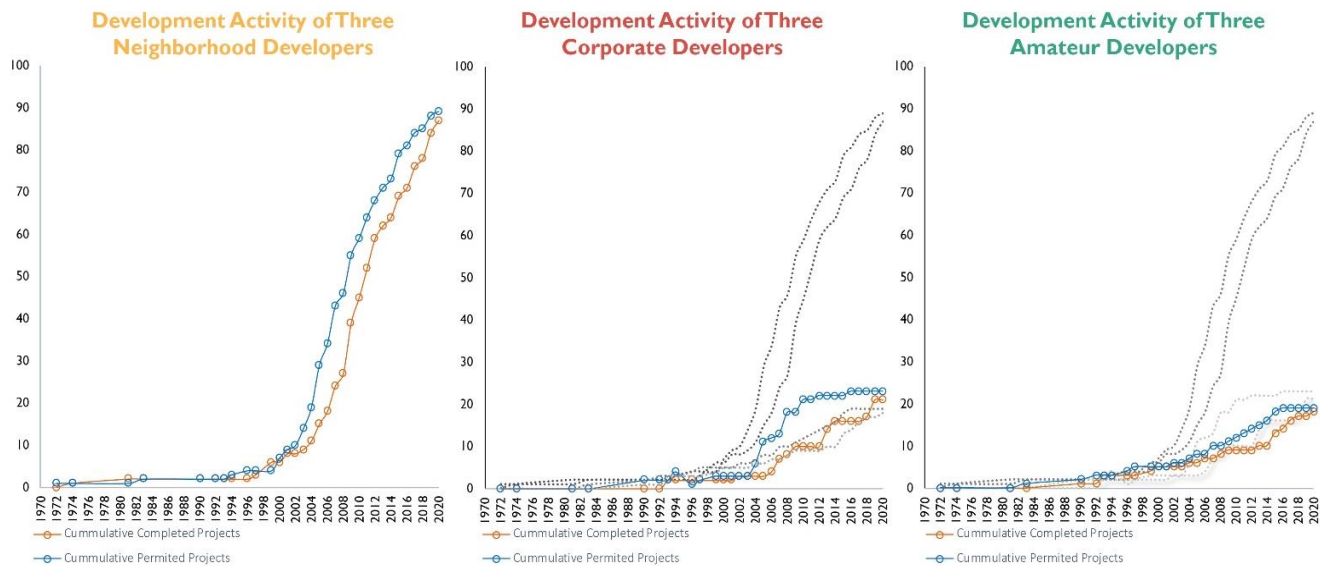


Figure 33 Developer Activity per Category of Developers (Cumulative Number of Projects)
 Source: Author, based on interviews

The development activity also differs across category of real estate developers. *Neighborhood developers* have the largest number of developments per developer comparing to other categories (**Figure 33**). Developers under this category usually have 2-3 projects running simultaneously. They tend to finish their projects in 3 years as a cap and often have a continuous trajectory in the market; meaning that they have always had development projects during the last 20 years.

The housing product that *Corporate Developers* produce is high quality, complex, and large scale. Therefore, it usually requires a lot of capital and extensive periods for permitting, execution, and the release of title deeds. Therefore, *Corporate Developers* have few projects that usually take prolonged periods. They have devised strategies to capture prime land with favorable zoning and cheaper prices, to diversify their financial resources, and to attract upper income clients.

Amateur Developers' main attribute is that they lack the professional experience or needed networks that enable them to finish projects promptly. Although they originally intended to finish projects quickly, they are more likely, than any other group, to face problems throughout the project life, and to drag with the works for longer periods. The period between permit issuance and completion usually extends to more than 5 years. Their presence in the market is disrupted and they do not have back to back projects.

3. Geographical Concentrations (Figure 34)

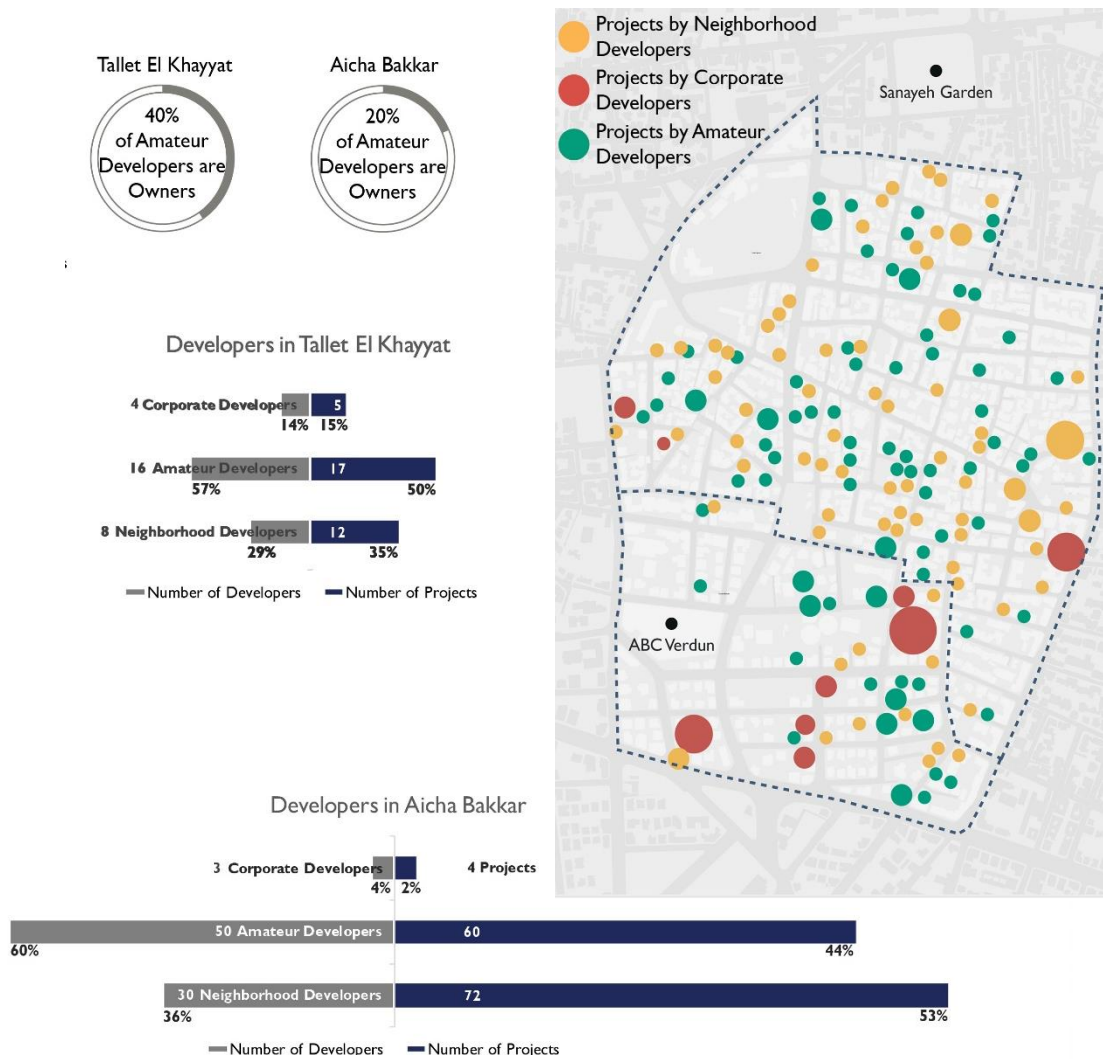


Figure 34 Categories of Developers in Aicha Bakkar and Tallet el Khayyat
Source: Author, based on field survey

The geographical concentration of projects across the neighborhoods of Aicha Bakkar and Tallet El Khayyat varies between the three categories. It is evident that there is a dominance of amateur one-time developers within the two neighborhoods. Nonetheless, 40% of the amateur developers in Tallet El Khayyat are owner builders; landowners who are completely in charge of developing their land, while only 20% of the amateur developers in Aicha Bakkar are owner-builders. This shows that landowners in Tallet El Khayyat are more financially capable, or have access to financial resources, which allows them to develop their land rather than appeal to other developers. On the other hand, clients in Aicha Bakkar are subject to higher level of risk, fraud or failure given the dominance of profit seeking unprofessional developers.

Aside from the dominance of Amateur Developers within both neighborhoods, the study shows that Tallet El Khayyat is also primarily developed by large-scale Corporate Developers. They are encouraged by the advantage of large plots, upper income character of the neighborhood, and views, as potential profitable site. On the other hand, “*Neighborhood Developers*” are more active in Aicha Bakkar. They build on their own social capital and on the neighborhood’s religious identity in order to secure a position in the market. Additionally, the neighborhood’s low-middle income status allows them to access the neighborhood more easily, where quality expectation and construction cost is lower than in upper income neighborhoods such as Tallet El Khayyat.

The following sections outlines the profiles, market strategies, and sources of finance the three different categories of developers rely on to operate in Aicha Bakkar and Tallet el Khayyat

B. Neighborhood Developers

Neighborhood developers represent real-estate developers whose activity has been consistently concentrated and limited to a number of (predominantly Sunni) neighborhoods or what urban scholars refer to as “*comfort zones*”²³, among which the neighborhood of Aicha Bakkar (**Figure 35**). The developers are recognized among the residents of these neighborhoods and rely heavily on the social networks they have developed over time at the local neighborhood scale.

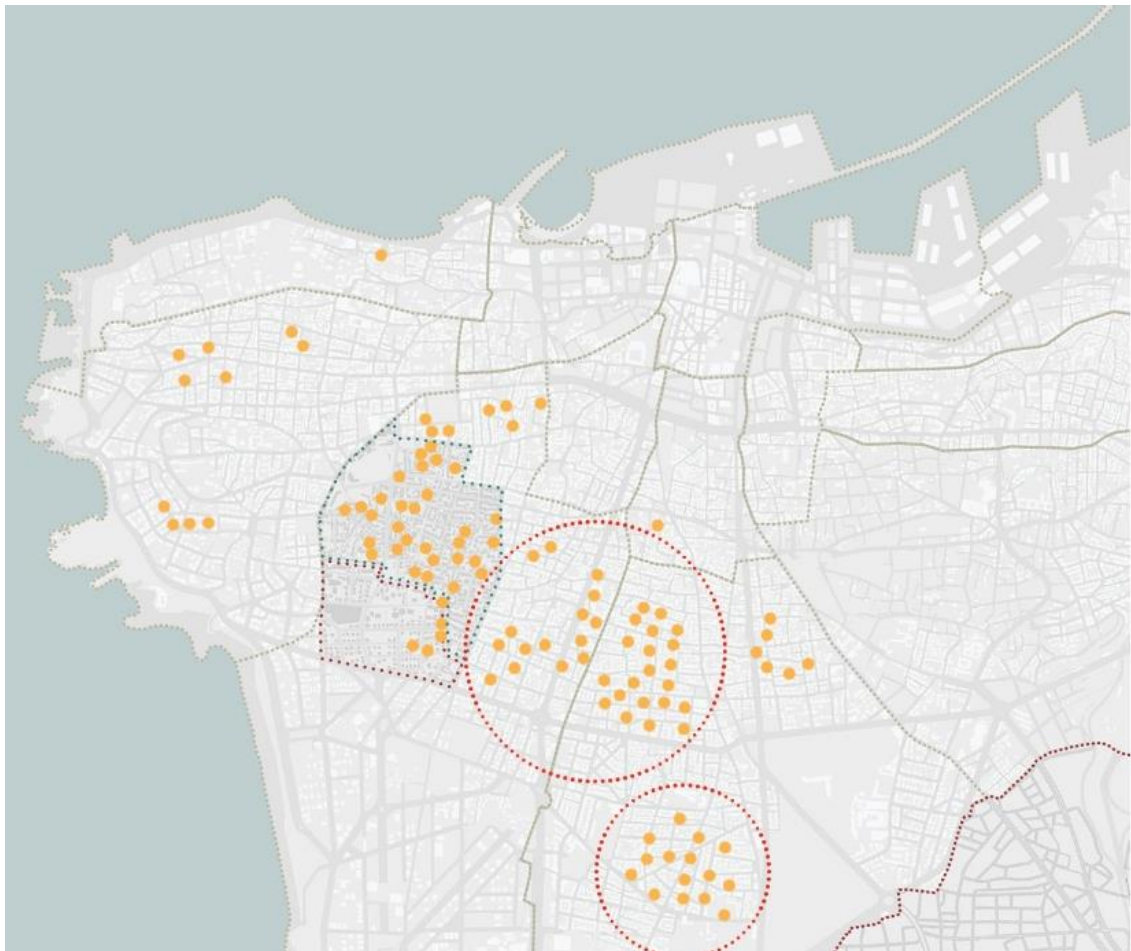


Figure 35 Location of Projects by Interviewed Neighborhood Developers
Source: Author, based on data obtained from Beirut Building Database

²³ Defined by urban scholars as a form of “*spatial literacy*” bound to “*previous experience and ownership of properties in specific locations.*” (Marot, 2018)

1. Profile

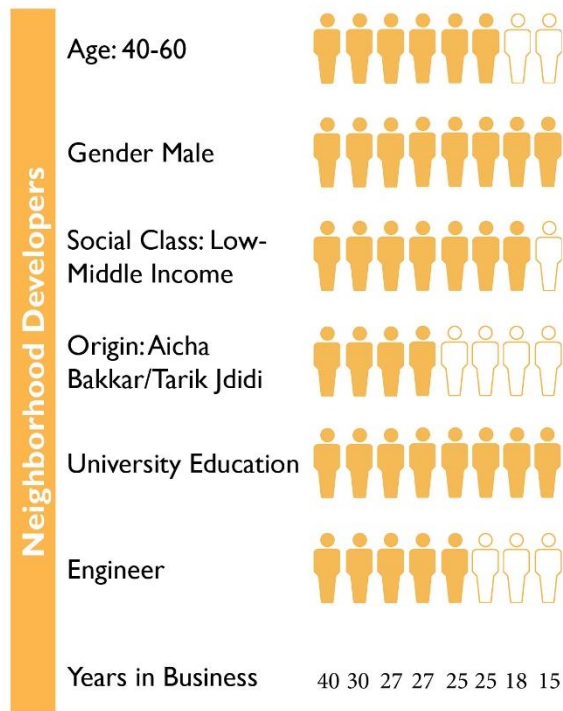


Figure 36 Profile of Interviewed Neighborhood Developers
Source: Author, based on interviews

Neighborhood developers come from modest families. All the interviewees were middle aged men, half of which were born and raised in Aicha Bakkar and the vicinity such as Zarif, Sayar Darak, etc. Almost all of them hold a university degree, mostly in Civil Engineering or Architecture from the Beirut Arab University²⁴. While few of them graduated in the early 1970s, the vast majority

graduated around the late 1980s or early 1990s, yet both generations worked arduously and sensibly into their first development project. While the 1970s generation of developers used the small properties owned by their families to kick start the development business, the 1990s entrants were interested in the development business professionally as a career from the onset of graduation. The stories of developers' first development experiences show that *neighborhood developers* had to either start from a land owned by their family, or by partnering with another established neighborhood developer in the market and cut down on their profit as a first project. Karim, one of the neighborhoods

²⁴ Beirut Arab University is a relatively affordable private university located in Tarik Al Jdidi (a predominantly Sunni Neighborhood)

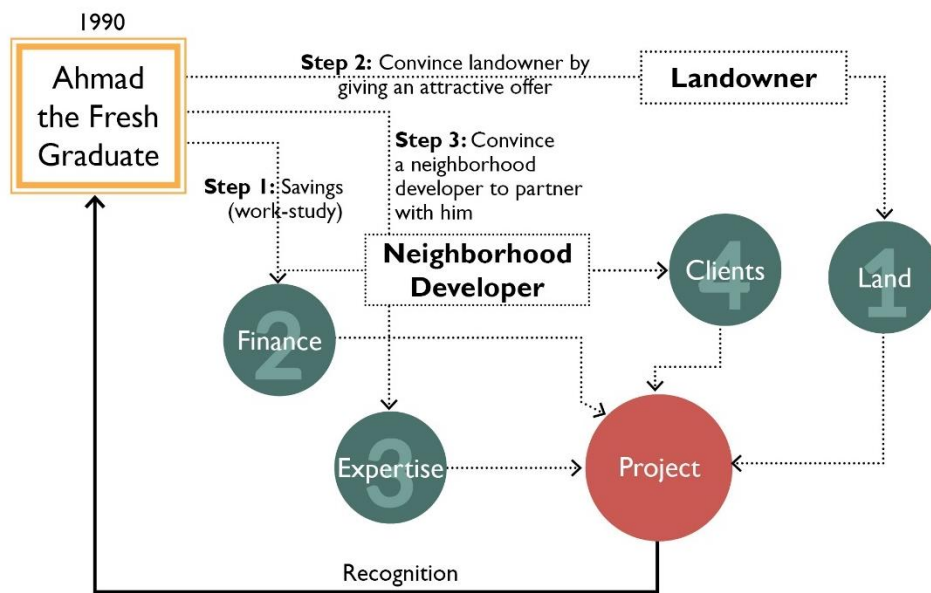


Figure 37 First Experience of a Neighborhood Developer
Source: Author, based on interview

developers explained how he gained the trust of one of the landowners as a fresh engineering graduate in the early 1990s.

"I graduated in 1990 with a degree in Civil Engineering from Beirut Arab University. I had already saved money by working as a math teacher while studying. I was a fresh graduate, and no one trusted me in the market. There was an undeveloped land in Mar Elias for an old man that I had set my eye on. I worked as his driver – look how much I have struggled - I worked as his driver and his office boy. I served him in whatever errands he needed, until he agreed to give me the project. My offer was also very attractive: I agreed to give him 4 apartments in the building development when other developers had only agreed to give him 3. Many other developers told him bad things about me (trash talk), that I was a fresh graduate and wasn't experienced enough. Finally, when I was awarded the project, I realized that I couldn't do the job alone, because of my

limited experience since I was a fresh graduate. And this is where I acted smart. So, I brought in a well-known developer, and gave them 1/2 of my shares. I put my name on the project (not theirs) and learned the profession from them. I also relied on their clients to sell. And that is how I gained reputation and became well known for people. So that I may have a steady foot in the market, and I gained recognition from this project.”

(Ahmad, personal communication, January 2019)

Neighborhood developers mentioned repetitively that they recognized the limitation in experience and financial capabilities from the start, and therefore appealed to other professionals at the start of their professional career. These developers are not looking for just a quick win, they seek to establish strategic alliances to penetrate and have a steady foot in the market. The first projects were typically conducted in partnership with other senior developers with whom these new developers are willing to share profit in order to benefit from what they see as a needed experience. The market segment they were able to penetrate was determined by the business networks they had and the segment that their professional leader was operating in, or the land their families owned, which again brings us back to their background, or income group. During this partnership, neighborhood developers would supervise the development works, get exposed to the senior developer's network, and learn how to manage future projects, and get access to clients. Some of these informal alliances have ended with the end of the first project, while others have evolved into formal joint ventures to date.

2. Market Strategies: Structure, Financing, and Social Capital

Neighborhood developers have the largest number of developments per developer comparing to other categories in order to maintain a continuous and steady pace in the real estate market, *neighborhood developers* have devised several strategies to structure, finance, and sell their projects.

a. Organization Structure (Figure 38)

After a first successful experience, *neighborhood developers* tend to increase their work and would often register an official company, mostly SALs²⁵. As mentioned earlier, the company is an established partnership with close family members or university colleagues, but a few have opted to work alone. The registration of the company is considered a milestone in the neighborhood developer's professional career, signaling the formalizing of the business relationship with their partners.

We formed a company between me, my brother, and a university colleague. My uncle who was an engineering professor at the Lebanese University also partnered with us. He knew tricks in the building law given his teaching experience. Each shareholder brought in an added value (either technical or financial) to the company. We tried first working on one project informally, then we formed this office.

(Mohammad, personal communication, January 2019)

²⁵ An SAL stands for Société Anonyme Libanaise which is a Lebanese Joint Stock Company



Figure 38 Organizing Strategies of Interviewed Neighborhood Developers
Source: Author, based on interviews

Neighborhood developers' offices are usually established after the first or second project. It is usually an apartment in one of the early buildings they developed, that they transform into an office. Due to the considerable number of projects *neighborhood developers* execute, they have devised elaborate strategies to evade tax payments. The construction permits²⁶ show that land is often registered in the names of their sons, siblings, or wives. They might also register different companies to distribute the work and reduce the company's income tax (**Figure 38**).

Generally, *neighborhood developers* are extremely conscious when it comes to reducing their overheads and limiting resource dependence to the bare minimum. As mentioned earlier, their offices are usually a transformed apartment space in one of the buildings they developed and the number of employees is limited (less than 5), whereby the rest of the needed work is contracted on task basis (foreman, site engineers, etc.). They conduct feasibility studies (that is often outsourced) before starting any project and follow up on their projects step by step. They have a preference for repeating working recipes instead

²⁶ Obtained from the BDD project conducted by the Urban Lab at AUB

of exploring new ones, often repeat the same choices in their design, execution, the agents they work with, and the location of their projects. This phenomenon is referred to by scholars as “GMOTLLT” (*give me one that looks like that*) (Figure 39), as it removes the ambiguities of future profits, and make the project outcome more predictable for clients (Brandesen, 2001).



Figure 39 Similar Projects by a Neighborhood Developer (GMOTLLT)
Source: Beirut Building Database

b. Financing (Figure 40)

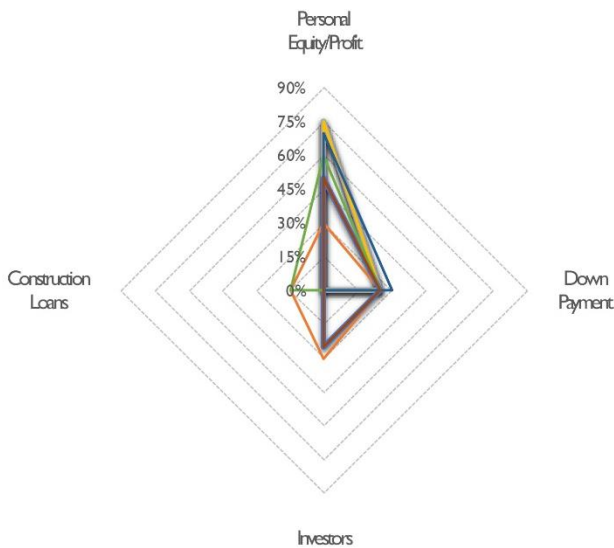


Figure 40 Source of Finance of Interviewed Neighborhood Developers
Source: Author, based on interviews

Given their strong and lengthy development portfolio, *neighborhood developers* were able to establish good business ties with the banks they deal with. The bank considers them trusted agents, provides them with all the needed technical support, and often offers bank facilities and loans incentive packages for financing their

projects. Nonetheless, none of the *neighborhood developers* I have interviewed relies on

formal financial institutions for financing their projects. Their relationship with the banks is limited to project accounts and cash flow management. The reason behind this decision is a mix between religious belief and a business understanding that is well summarized by one of the *neighborhood developers* I interviewed:

I never went to the bank. First because loans (Interest) is forbidden under the Islamic law. Second, if you rely on bank loans you will face trouble. This is because our country (he meant market) is fluctuating. So if you take a project when the prices are high, and then market collapses and you have a loan, what do you think will happen? You will ruin your reputation and the years invested in your work. The client is very clever. If s/he is slightly suspicious about your profile, they will stop dealing with you. And the market in Beirut is very tight, we all know each other.

This is an important part of how we work, that we don't rely on bank loans. Although the market pushes you to take loans, but we refrained because of religious reasons. But Grace to Allah, because we abide with our religious learnings, we escaped the market crisis. Those who took loans are facing hardships because of their decision.

(Tarek, personal communication, February 2019)

This shows that *neighborhood developers* understand very well that the market is unstable and constantly fluctuating. Their decisions and choices put at the fore the sustainability of their practices through protecting their reputation in the field.

Interestingly, reliance on forward payments (known locally as plan sales, which indicate that clients purchase apartments before the building is done) is extremely limited

due to its uncertainty. Neighborhood developers do not rely on forward payments for a project under construction, since they are not certain that they will sell. They mainly rely on the profits generated from previous projects, and save forward payments for upcoming works:

If a project costs 1.5 million USD, I should have 75% of the need cost. Why you may ask? Because if I buy one apartment only, I'll be able to cover the cost of my project, and I'll be on the safe side. If you don't have this logic don't venture into development.

(Tarek, personal communication, February 2019)

Neighborhood developers rely mainly on the profit accumulated from previous projects, and limitedly on investors who are usually on board before the project kickoff. Investors are usually from their professional and social entourage, and get discounted prices for apartments, and sell them upon the completion of the project. This option is available for *neighborhood developers* because their history shows that they are trustworthy and will eventually deliver the project as promised.

Neighborhood developers are affected the least during property crises²⁷, as they have devised different strategies to reduce the incurred cost and diversify their financial resources. Neighborhood developers who originally prefer to buy land²⁸, have altered their strategies through going into partnerships with the landowners to reduce the cost of

²⁷ They would rather reduce their activity instead of stopping completely

²⁸ Normally, neighborhood developers prefer to buy land to avoid legality issues with landowners, and time-consuming negotiations that normally happen to please all the heirs. Buying land also means higher returns on selling apartments.

the project. Their decision stems from the belief that this also means that less apartments will remain unsold given the decrease in demand.

They recognize that the market is not steady and have therefore found other ways to finance their work during the down turns of the market. They have used the excessive profit generated during the market boom to open side business that are now supporting the deficit in sales in the development industry. These businesses range from interior design work, to rental of furnished or unfurnished apartments stock²⁹, electric tools trades, and others:

I currently have other businesses that I am invested in. It doesn't take much of my time, but it supports my real estate profession during market downturn

(Ahmad, personal communication, January 2019)

c. Social Networks & Accumulation of Social Capital

Social networks and social standing are crucial for the sustenance and continuity of developers' activity. It is key for accessing land, securing clients, and getting the needed permitting through. As mentioned earlier, most *neighborhood developers* come from lower to middle income families. The families these developers came from were not involved in the development practice and did not have a distinctive social standing in their locality. Consequently, *neighborhood developers* capitalized on some affiliations they had to accumulate social capital and gain recognition in the local – mainly Sunni,

²⁹ Since they do not have any bank loans and they do not rely on off plan sales, they were able to turn some of their unsold apartments stock into the rental market. They usually draft very intricate and detailed contracts with the tenants so that they can receive the apartment in it pre-leased condition once the market bounces back

community. I was able to trace three forms of resources that *neighborhood developers* used to accumulate social capital and gain respectability in their local community.

First, some *neighborhood developers* pursued higher degrees in the field of engineering and enrolled to teach in local universities, most notably Lebanese University and Beirut Arab University³⁰. They were referred to as *Doctors* or *Asatiza*, a naming associated with high respectability and notability given its association with higher learning. They do not rely on their position as professors for income. Rather, they use their affiliation to the University to increase their social standing.

Second, *neighborhood developers* developed affiliations to Sunni philanthropic/religious organizations³¹ from which they can gain respectability, access clients, and, at times, even insure access to land. The *neighborhoods developers* I interviewed were either managing or *VIP* members³² of medium scale Sunni organizations generally located within the neighborhood. They reserve dedicated hours for the management of these organizations and for attending religious sessions, and often identify themselves with these organizations by distributing calendars, announcements, and publicizing their events and activities. They are usually awarded the development of any potential project for these organizations including headquarters, religious complexes, and for-profit residential buildings. One of the developers informed me that he will be

³⁰ Interviewees from this category taught either at Beirut Arab University or Lebanese University

³¹ The Sunni community has a number of religious organizations “جمعيات” that are widely endorsed in the Sunni Muslim community. The organizations range from small to medium to large scale depending on the popularity of the dissipated principles, the organization’s capital/funding schemes, etc. The members of these organizations vary in social and financial standing, yet the management of these organizations are usually bourgeoisie notables, etc.

³² *VIP* members meaning that they attend special sessions, exclusively dedicated to doctors and engineers affiliated to those organizations.

developing one of the properties owned by the organization he is affiliated to in Aicha Bakkar. He will act as the client representative who will develop and sell the shares for the organization based on a 50-50 agreement. This is common in the neighborhood, since many religious organizations own properties in Aicha Bakkar, and have recently adopted a short-sighted plan for capital accumulation, through developing residential projects.

Other than developing projects for these organizations, the acquired positions of *neighborhood developers* in these organizations increases their social standing, respectability, and notability among the Sunni community in Aicha Bakkar, and helps them access clients, investors, and potential landowners. Members of these organizations, who intend to buy apartments usually consider the *neighborhood developers* affiliated to their organizations as their first choice.

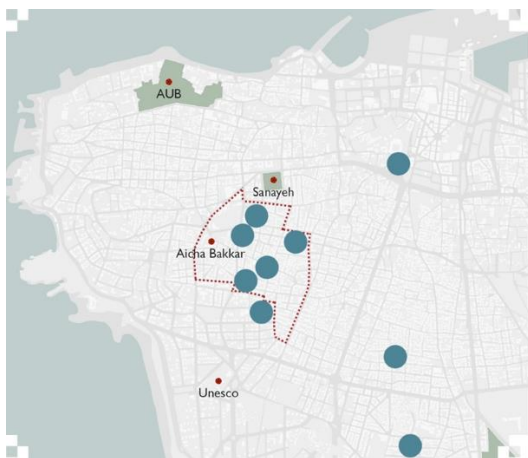


Figure 41 (Left) Location of Office of Religious Institutions whose Developers' operate in Aicha Bakkar
Source: Author

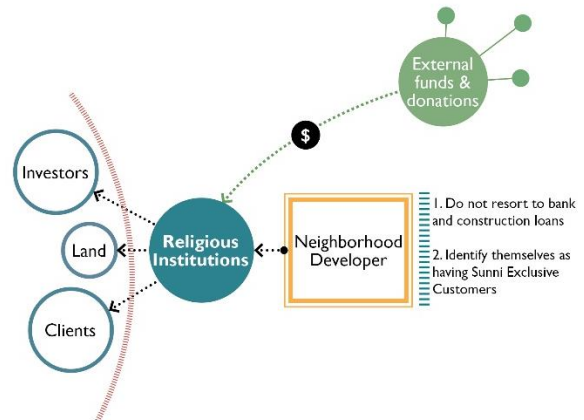


Figure 42 (Right) Role of Religious Institutions in Development Activity in Aicha Bakkar
Source: Author

Third, some neighborhood developers have also invested in constructing the image of the *Humane Developer* المطور الأدمي in Aicha Bakkar. Unlike other categories of developers, they can develop in sub neighborhoods such as *Zaroub Abla*, *Zaroub Al Illiye*,

and *Zaroub Zo 'zo'*, the poorest alleys in Aicha Bakkar, as they have acquired the needed spatial literacy that empower them to play the game in this field. One of the developers describes his strategy as follows:

Go ask the neighbors what they think of me. They'll tell you how good I am. The Neighbor is more important than the house (الجار قبل الدار). I mean, you are dealing with your neighbors' day after day for 3 years. I always get to know the guys in the neighborhood I work in. I feed the poor, I take care of them. I pay for funerals of poor people who live in the neighborhood. I target and address their weak points. Once I removed the garbage from the streets and put garbage bins. I'm sure they won't buy apartments in my buildings because they are poor, but I am building relations around my site and project. I've been told on several occasion that my site is very clean. I have insurance in case any damage happens to a car or public property. The satisfaction of clients is the most important thing.

(Tarek, personal communication, February 2019)

A third strategy for developers is to show respect to the “culture”, habits, and often also allegiance to certain political choices and/or religious or sectarian options. A number of respondents among developers explained that they “protect” their reputation as having Shi'a free customers, which appeals to the residents of Sunni dominated neighborhoods such as Aicha Bakkar³³. *Neighborhood developers* picked up on this preference and

³³ After the events of May 2008, the residents of Aicha Bakkar have developed resentment and distrust towards Shi'ites affiliated to Hizbollah or Harakat Amal. They believed that the Shi'ite residents in the neighborhood lead to the infiltration of Hizbollah fighters during the 2008 events. Residents, landowners, and potential buyers have a strong preference to Shi'a free neighbors to reduce probability of political tension in the buildings they live in.

capitalized on their Sunni identity to cater for the local demand in the neighborhood. One developer puts it this way:

I respect the will of the landowners. They ask me, as a Sunni Beiruti, not to sell to Shi'ites. Once, I had a Shi'ite client, who is very decent. I tried to endorse him to the landowners, but they asked me not to sell the apartment to him, even if I knew him. They told me the agreement from the start was that you sell Sunnis only. So, I abided. The most important thing for me is to preserve my clients and my reputation.

(Mohammad, personal communication, January 2019)

C. Corporate Developers

Corporate developers in Aicha Bakkar and mainly in Tallet El Khayyat or what Marot (2018) refers to as *Returnee City Builders*, mainly made their main entry into the development practice during the second cycle of the property boom starting 2004. They

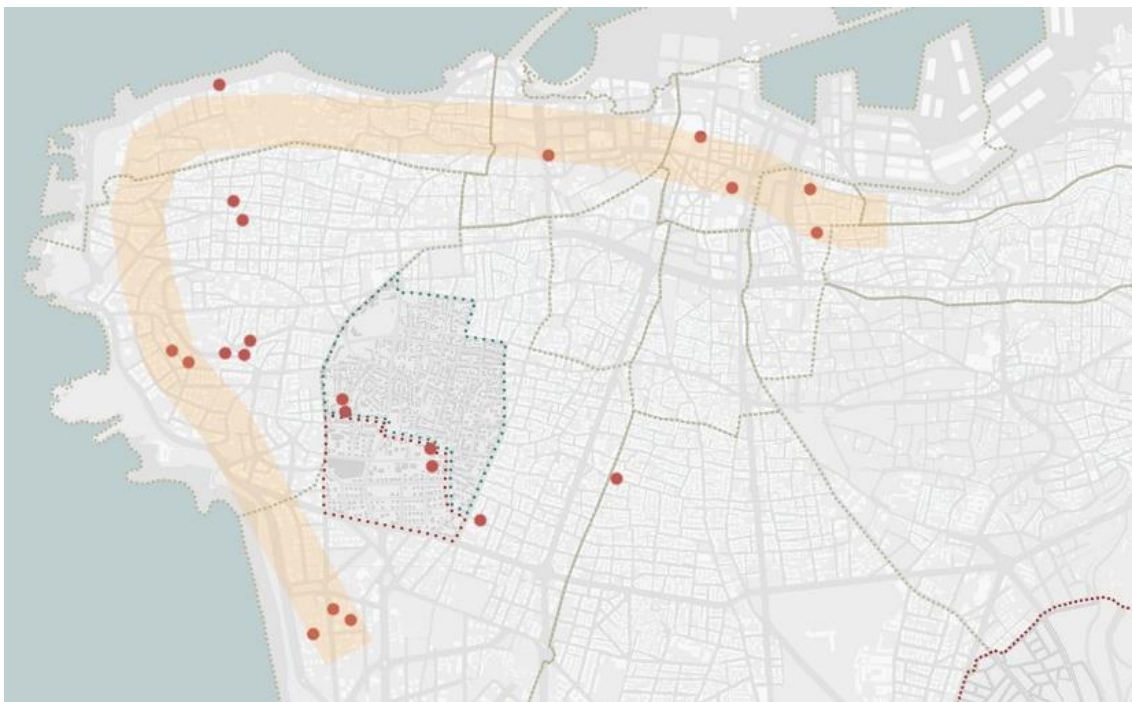


Figure 43 Projects by Interviewed Corporate Developers
Source: Author, based on data from Beirut Building Database

had already established contracting companies in other neighborhoods of Beirut³⁴ and development seemed like the natural transition in the mid-2000s, given their strong networks in the construction industry that they were able to develop all along and the promising yield that could be expected from upmarket real estate development during this phase (**Figure 43**).

1. Profile

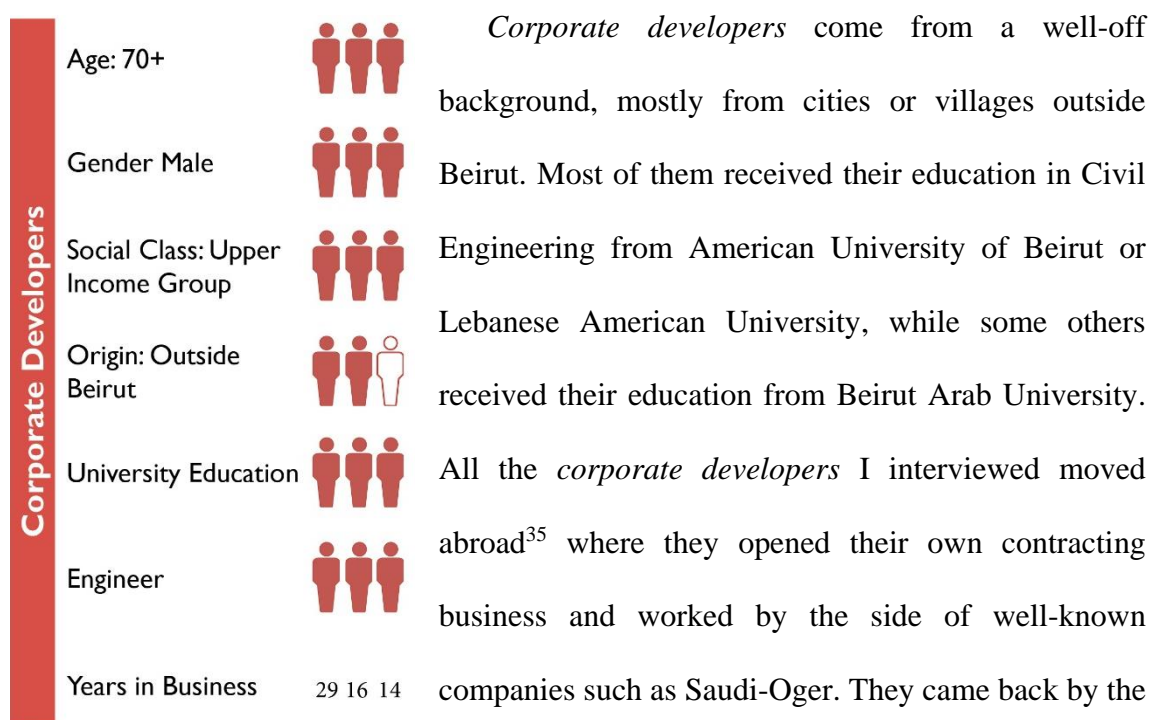


Figure 44 Profile of Interviewed Corporate Developers
Source: Author, based on interviews

³⁴ The contracting companies were either established in the late 1970s or early 1990s

³⁵ Mainly KSA or USA

both neighborhoods compared to other developers, but their projects are the biggest and highest of quality. 14% of developers in Tallet El Khayyat were corporate developers whereby only 4% of the developers are *corporate developers* in Aicha Bakkar. Corporate developers access the market through political elite networks. Two of the interviewed developers explained the role of their networks in their entry to the development industry:

Developer 1: *The founder of this company is originally from Sidon. His family is from the elite families of Sidon. He studied civil engineering. After graduation he worked in KSA where he started an agricultural company working mainly for Saudi Oger. In parallel, he started a civil works company in Saida, subcontracting road asphaltting and the construction of public projects in Sidon. The family had strong connections with the municipality of Sidon and the Ministry of Public Works. They opened a branch in Beirut that is more focused on contracting large scale residential and commercial projects. The founders of this company have very strong connections with Fouad Sanyoura, the late Prime Minister Rafik Hariri, and his son, the current prime minister, Saad Hariri. They worked together in KSA and knew each other when they were young. The CEO of Solideire is also a relative to the family (Figure 45).*

Developer 2: *We started as contractors in 1992. The founder of this company worked in the US then moved to Saudi Arabia, where he worked for 6-7 years. He came back to Lebanon in 1992 and established this company. We are mainly a contracting company, and we started working in development in 2005. In 1992 we took several execution projects for big factories, headquarters, and residential buildings. We also worked on the execution of 15 branches for one of the Banks that we had very strong connections with.*

We rehabilitated around 8 buildings in Solidere in Fosch and Allenby Street, and we also renovated several mosques in Solidere which were funded by one of the Sunni politicians. At the time, Solidere was looking for contractors with high standards, who are quick and reliable. Based on the quality of our work, we started these projects and were able to establish a wide network of relations.

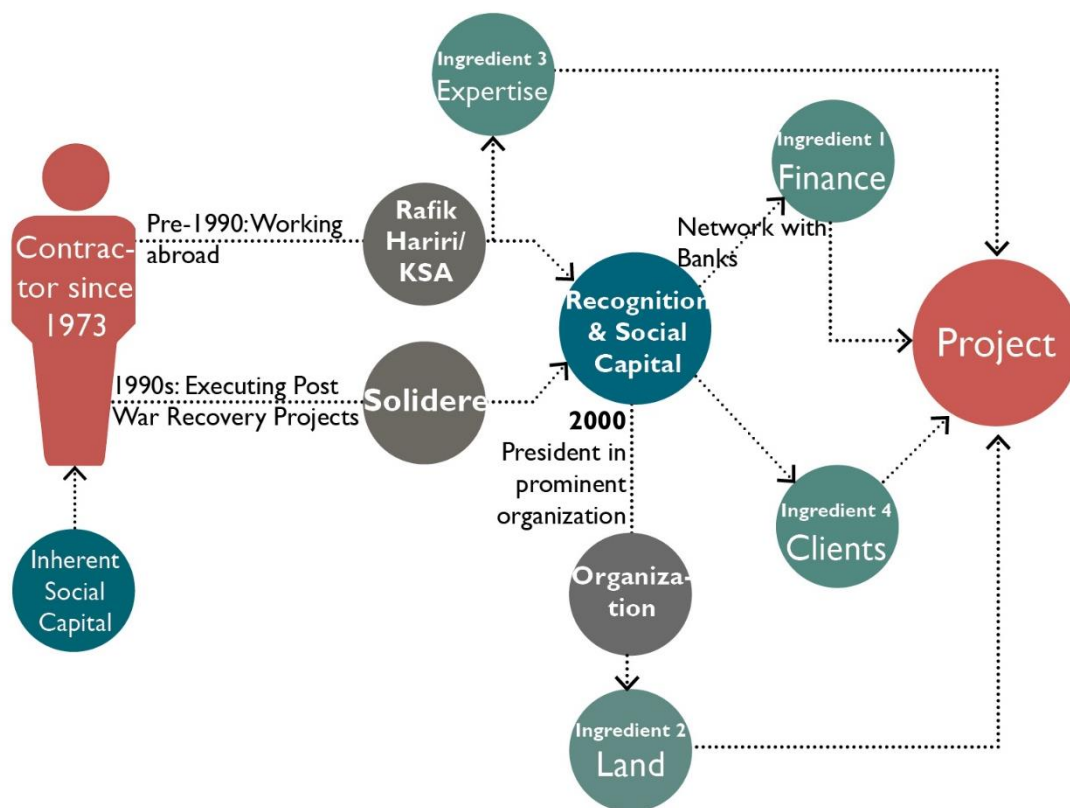


Figure 45 First Market Entry by one Corporate Developer
Source: Author, based on interviews

2. Market Strategies: Structure, Financing, & Social Networks

The housing product that *corporate developers* supply is high quality, complex, and large scale. Therefore, it usually requires a lot of capital and extensive periods for permitting, execution, and the release of title deeds. Therefore, *corporate developers* have few projects that usually take prolonged periods. They have devised strategies to capture

prime land with favorable zoning and cheaper prices, to diversify their financial resources, and to attract upper income clients.



Figure 47 (Left) Organization Strategies of Interviewed Corporate Developers
Source: Author, based on interviews



Figure 46 (Right) Projects by Corporate Developers in Tallet el Khayyat

a. Organization Structure

Corporate developers have devised several strategies to present their companies as professional ones and often masking the identity of the owners. The company usually has a complex corporate structure³⁶ with a company name that reflects the type of work they perform (using terms such as Construction Company, construction works, builders, etc.) in contrast to *neighborhood developers* who use their names as their identifiers in the market. This would, aside from providing their companies a professional edge, protect to a certain limit their reputation and limit their liability in case of financial or executive issues in the company. Their offices are medium sized and are in prime office buildings such as the Concord building, Ramlet Al Bayda, Qoraitem, Verdun 732. They usually

³⁶ An investigation of the commercial registry showed that most of these companies are interrelated with a wider web of interrelated companies.

have 15-20 employees, but according to one interviewee, they have reached a total of 200 employees in the boom years but had to reduce their employees to 20 currently during the current crisis (Figure 47). The structure in the companies is hierarchical and with a clear division of labor. Since they work on complex and special projects (Figure 46), they usually subcontract the design works to specialized design firms that they have good connections with.

b. Financing

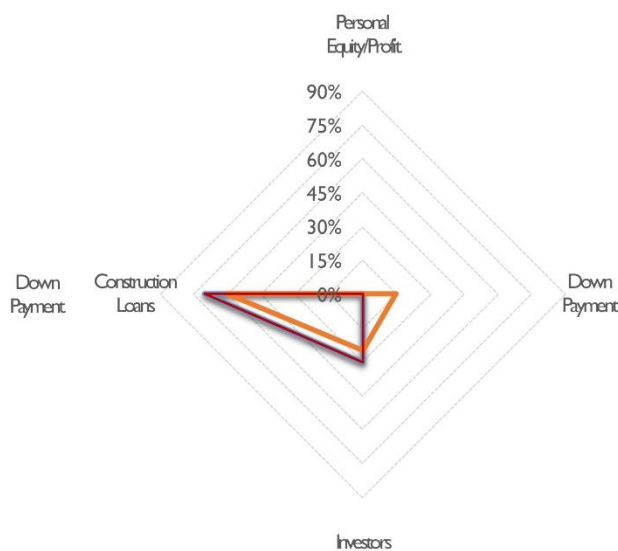


Figure 48 Sources of Financing of interviewed Corporate Developers
Source: Author, based on interviews

Given the complexity, lengthy construction process, and high cost of the projects, *corporate developers* have developed a diversified financial scheme to reduce their financial liability, cover the costs, and increase returns. In addition to off-plan sales and bringing investors on board, *corporate developers* have relied on bank loans and facilities, and the

remittances from their international branches (Figure 48).

Corporate developers mainly rely on investors for land acquisition. Bringing an investor on board on their projects increases the likelihood of accessing clients, since the network is usually extended to the investors' relations. Bank facilities typically cover construction costs. The return on these projects come late after the project is complete,

which means after more than 4 years from commencement date. Hence, *corporate developers* use bank facilities even if they possess the needed capital for construction.

One developer explained:

“...even if you have the needed capital, it is not smart to use your own capital for projects. You always go to the bank.” Why?

(Chadi, personal communication, February 2019)

Corporate developers have rooted connections with banks. This helps them, in addition to their strong construction portfolio, secure bank loans and facilities. The bank’s marketing branch also help them access clients (which finances their project through off-plan sales) and sends them constant updates on the market condition. This strategy reduces the developer’s financial risks in the event of a market downturn or a client default. In those cases, the developer either gives a number of apartments to the banks to cover bank loans or refers the defaulting client to the bank. Here is how Nabih, a corporate developer outlines the position:

Even if the developer has money, he shouldn’t use his money. Usually developers take facilities from the bank for financing their projects. It’s only for financing construction. We had a lot of bank loans. But now most of them are paid back. Mainly when we registered the apartments of this project, we gave 2 apartments to the bank to cover the loans. We also have an X-expat client who is defaulting in payment. He paid half of the apartment price and couldn’t continue. We filed a case against him. We handed this issue over to the bank, because part of his apartment is owed to the bank (our loan to bank should be paid from the money he’s supposed to pay). He still owes us \$600,000. The

value of the apartment has decreased today, and we have put a penalty in the contract. He is responsible, he signed the contract. I cannot give him back his money, and I cannot sell the apartment to someone else, because its value has depreciated in the crisis. It doesn't work for us.

(Nazih, personal communication, February 2019)

Corporate developers also rely on profit generated from their offshore branches. This usually support the cashflow during market slowdown and ties their financial standing with external market conditions. As the market condition worsens locally and in the gulf region, some of these companies stand in critical conditions today with the drop in sales and foreign investment in the country:

We suffered from more than 90% layoffs in the past 2 years. We were 200 employees, today we're barely 20. I am the last site engineer they have on site. Each project used to have 5-6 site engineers. The situation is horrible. We're not able to venture into development projects anymore, especially because the owner used to rely on our branch in KSA which is also suffering because of the situation in KSA. The main contractor we work with in KSA owes us around \$128 million. Our branch in Saudi Arabia used to cover the deficiencies here. Now the market is bad here and in Saudi Arabia.

(Chadi, personal communication, February 2019)

c. Social Networks (Figure 49)

Corporate developers are not particularly interested in Aicha Bakkar. Nonetheless, their complex web of social relations directed them to capture uncommon opportunities in less central neighborhoods with *favorable zoning and larger lots*, where they would

prices.

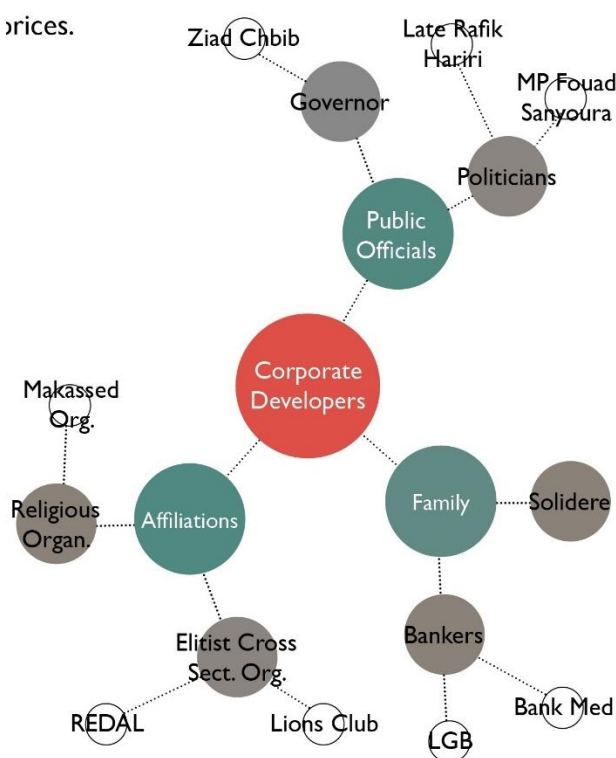


Figure 49 Network of one Corporate Developer
Source: Author, based on interviews

develop high end projects at prime market prices during the construction boom after 2004. They all noted that they would not normally develop projects in *crowded neighborhoods* if it wasn't for "the opportunity".

When asked about their strategies of work, all developers in this category described strong connections with public officials (such as the Beirut governor), which facilitates the permitting of complex projects. They

belong to a cross sectarian elite that claims membership to organizations such as The Lions Club and others that help them expand their elitist networks. The example below reflects how one of the developers can have access to a good opportunity project in subprime areas through his social networks:

A long-term member of one of the national scale elite Philanthropic Sunni Organizations since the 1960s, the developer was elected as Vice President of the organization in 2000. He served in this position until 2014. In 2003, a project on a large property- owned by this organization, on the edge between Aicha Bakkar and Tallet El Khayyat was permitted as an educational building (School). Later in 2008, the permit had changed for the same lot to become a 66-apartment residential and commercial (mall)

complex. According to the interview conducted with one of the employees in this company, the developer took the initiative and submitted a proposal to the board of trustees of the organization. They eventually agreed on a 50%-50% revenue, whereby the organization supplies the land, the developer undertook all development works, sales, and returned 50% of the accumulated revenue to the Organization. This shift between 2003 and 2008 can also be understood in the context of the new building law issued in 2004, the abrupt property market inflation, and the decision of the management to venture into development in 2005.

Other examples include a land at the edge between Verdun and Aicha Bakkar that was seized by the bank due to non-performing loans. One of the investors who had strong connections with the bank and the developer introduced the land to the developer. Although the project is located in Aicha Bakkar, it is advertised as one street away from Verdun.

Corporate developers build in neighborhoods with neutral sectarian identities. Nevertheless, it was common that the clients belong predominantly to their sectarian group. Additionally, their clients in Aicha Bakkar were mostly Sunni Muslims, although they said they had no restrictions on sales. This can be explained by the clients' preference to stay within the social and sectarian circles they belong to. Hence, despite the sectarian neutrality in practice of corporate developers, deeply rooted sectarian networks are still effective in accessing land and clients, particularly in middle income neighborhoods.

D. Amateur Developers

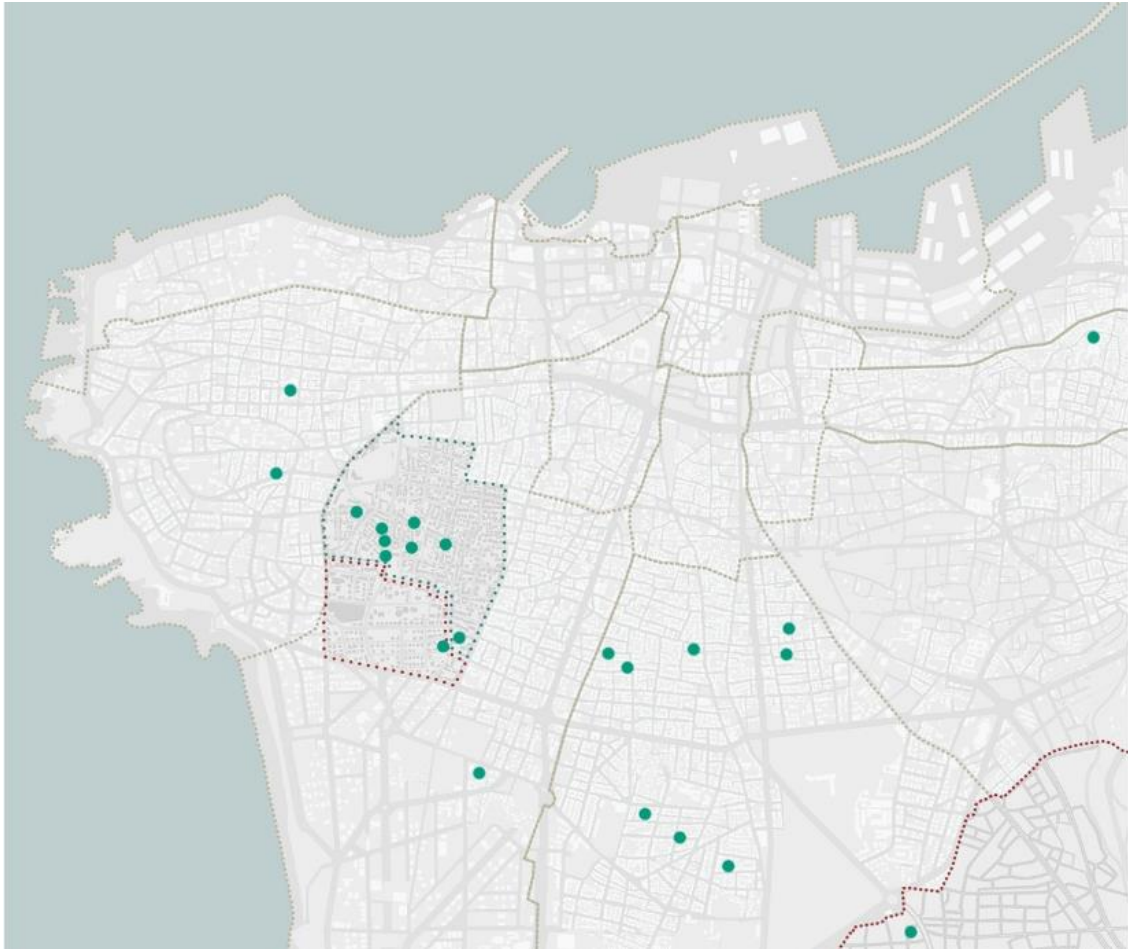


Figure 50 Projects by interviewed Amateur Developers
Source: Author, based on Beirut Building Database

Amateur developers are non-professional real estate developers, who are lured by the *get-quick-rich* appeal of the lucrative business of housing development in the different moments of the post war period building booms, even though they do not have previous experience in the development industry. *The amateurs* are divided into two categories, the *owner builders* and *for-profit developers*.

Owner builders represent 40% of *the amateurs* in Tallet El Khayyat, and 20% in Aicha Bakkar. They are relatively those affluent individuals, who have access to the necessary social networks and financing mechanisms to transform the land they own into

a long-life investment. A good example that would reflect this category is Adnan who is an administrative manager of a well-known newspaper in Beirut. Adnan used his relations with the Beirut City governor to facilitate the construction permit of a land he bought in Aicha Bakkar. He used his connections with the banks to take a loan to finance the purchase and construction of the property, and his relatives for the expertise to develop the property into a residential building for his family, or what he calls *His Kingdom*. Adnan explained that he uses the concept of reciprocity in his work to expand his social networks; he often covers events, provides information, and filters his newspaper to remove news that may harm his connections, ultimately using this tool to serve the interests of his social networks. Against this favor, Adnan was able to get the facilities and benefits he needed for the development of this project. When I asked him whether he'd still consider real estate development had hadn't the networks he has built, he answered no.

For-profit developers are a more evident subcategory of *amateurs*. They have been lured by the profitability of the development market during its boom years and entered the market to get their share of profits. Although they originally intended to finish projects quickly, they are more likely, than any other group, to face problems throughout the project life, and to drag with the works for longer periods. They are usually not recognized by the residents of the neighborhood nor by *neighborhood developers*. Their presence in the market is disrupted as they do not usually have back to back projects (**Figure 50**).

For the section below, I will focus on *for profit developers* as it is more relevant to my study and is a predominant category across neighborhoods in Beirut.

1. Profile

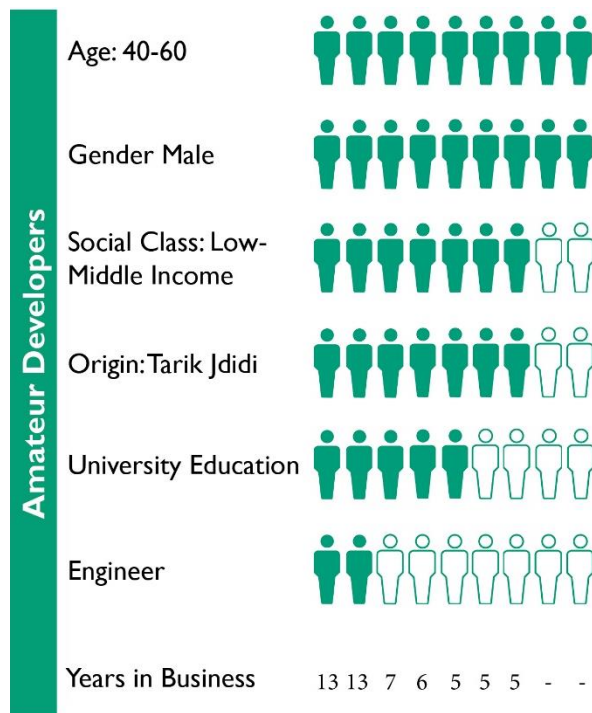


Figure 51 Profiles of Interviewed Amateur Developers
Source: Author, based on interviews

Like neighborhood developers, the *amateurs* usually come from modest lower income families. Seven out of the eight developers I interviewed from this category were born and raised in Tarik Jdidi. They are early middle-aged men³⁷ who were motivated by an indirect link they had to the development industry. Although they come from very different educational and professional backgrounds (**Figure**

52), they have all had an association

that led them into housing development. For the sake of this study, I will narrate the background of two of the developers I interviewed that best reflect the background of this category of developers.

³⁷ Mainly in their 40s or early 50s

Amateur Developers	Education	Previous Profession	Association/ Motivation to Enter Development Industry
Developer 1	Business Management	Real Estates Relations Office	Strong relations with public agencies and politicians. Facilitate permits issuances for Neighborhood Developers and Institutionalized Developers
Adnan	Business Management	Newspaper Manager	Strong public relations with banks and officials through reciprocity Brother works as a Forman
Developer 3	Secondary School	Jewelry Maker	Good connections with neighborhood developer who supported him with design and execution
Sami	Secondary School	Electric Subcontractor	Worked as Subcontractor on projects of Neighborhood Developers
Developer 5	Medicine	Doctor, Orthopedic	Looking for investment since he doesn't take interest on his money Brother has Design and Supervision Office
Developer 6	Architecture	Consultancy Office	Conducts feasibility studies and designs projects for Neighborhood Developers
Fadi	Architecture	Real Estates Relations Office	Provides services handling needed processes at public agencies تخلص معاملات

Figure 52 Professional Background of Interviewed Amateur Developers

Source: Author, based on interviews

a. Sami³⁸ - The Non-Engineer

Sami is a 45 years old from Cheb'ah who was born and raised in Tarik Al Jdidi. I met Sami in his office in one of the high-end office buildings recently developed in Aicha Bakkar. He had just come back from the Friday prayers, had a rosary in his hand, and a black patch on his forehead, a visible indicator of his religious (Sunni) Muslim commitment. Sami didn't receive university education and started working as an electrician when he was 18, typically subcontracting electric works in residential projects. Soon, he started working as a subcontractor of electrical works for one of the *neighborhood developers* in Aicha Bakkar. Sami was nonetheless discontent by working for developers: He felt he was exploited for insignificant aggregates, while the developer

³⁸ The names of the developers were changed to protect their identity

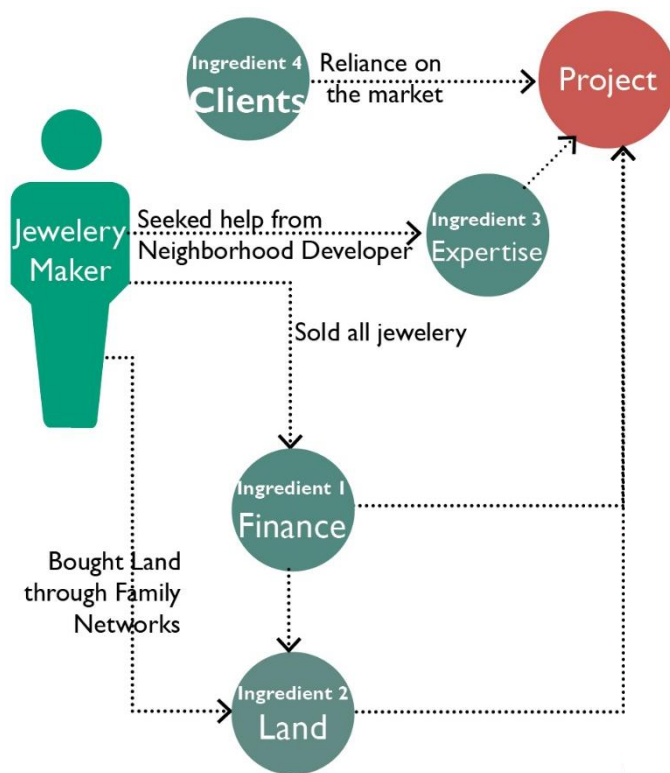


Figure 53 First Entry of one of the Amateur Developers
Source: Author, based on interview

was generating enormous profits effortlessly. Additionally, payment collection often dragged especially in recession periods. This is how he puts it:

My previous employer wasn't paying me regularly. I wanted to develop and enhance my position in the market, and I felt qualified to venture into development. I expected the profit to be better.

صار في مشاكل بالدفع من العالم. بالإضافة كل إنسان بحب يطور حالوا و يكبر و يحسن وضعوا. و حسيت حالي مآهل فوت بالتطوير. توقعت يكون نسبة الأرباح أحسن.

(Sami, personal communication, February 2019)

In 2011, Sami decided to leave his profession and venture into building development. He launched a first project in the Beirut suburbs successfully. The flexibility and expedition of the permitting process encouraged Sami to take bigger steps. He partnered with a relative in Aicha Bakkar³⁹. Due to the lack of professional skills³⁹ and experience in development, Sami faced numerous challenges when dealing with public agencies in

³⁹ His relative also happens to be the founder of one of the small Sunni organizations. According to Sami, the land was bought, and has no relation to the organization.

Beirut. Getting a construction permit took more than two years. By that time, the real estate market had declined, and new regulations were being enforced. He's still unable to get the Occupation permit till date because according to him the municipality is delaying his work:

5 years and the project is still in progress. I'm not able to finish it, and I ended up getting profit equivalent to the salary I used to get from my previous job.

(Sami, personal communication, February 2019)

During the same period, Sami had committed to partner with a Christian landowner in Rmeil. He was introduced to the landowner through a mutual friend, and consequently didn't have strong connections with the landowner. When a dispute rose between Sami and the landowner over shares, after Sami claims he had lent more than US\$200,000 to the landowner and evicted the old tenants in the building. Subsequently, Sami was in a situation where he had to buy the land through a bank loan in order not to lose the money he paid to the landowner. Today, Sami is very hesitant to start the project since no one trusts or knows him in the area. He's considering leaving the country and living in Turkey.

I want to leave this country. If I start a new project, I won't be able to sell any apartment. I want a decent future for my family. There is no work opportunities here in Lebanon.

(Sami, personal communication, February 2019)

b. Fadi – The Engineer

Faisal is a 50-year-old architect, who was also born and raised in Tarik Al Jadidi. He graduated in 1988 and worked in KSA for three years. When he came back to Lebanon in 1991, he had restricted capital, so he opened a real estate relations office in Aicha Bakkar. His work comprised of following up on the issuance of construction permits of other developers. His first development experience involved buying “*ru’us al juzur*⁴⁰” in Ain Remmene and other areas eligible for Murr Floor⁴¹, where he’s developed an extra floor or two, and sell them back. Eventually, he gave the development business a shot in 1997, where he developed a building in Debbeye. Due to the market slowdown in this period, 10 of the apartments remained unsold and were transferred into rental stock. In 2006, he gave the development business another try, where he developed two properties in Aicha Bakkar. He had a dispute with the landowner he partnered with at the end of the project, who filed a case against him. He’s still unable to register the building because of case. Now he’s no longer working on development and is back on the real estate relations business. Trapped in legal loopholes

⁴⁰ Ru’us juzur is a legal term involves ownership of the roof of the last floor in a building

⁴¹ Murr Floor is a law issued for the first time in 1980, allowing for the construction of an additional floor in a certain zones. The purpose behind passing the law was to secure revenues for the state for the construction of 20,000 affordable housing units in Lebanon

2. Market Strategies

a. Organization Structure (Figure 54)

The amateurs had rented offices in prominent office buildings in the neighborhood. They were attracted by the profit generating industry and wanted to leave good impressions for customers. They were also expecting that the business will last, and that they'd be starting new projects soon. They had few employees on board (a maximum of 3-4).

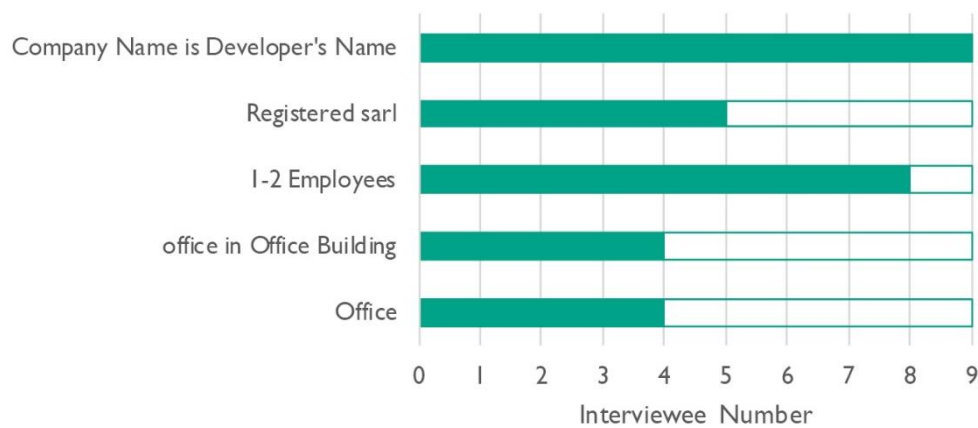


Figure 54 Organization Structure of Interviewed Amateur Developers

Source: Author, based on interviews

Amateurs categorize themselves along with *neighborhood developers*. They used many of their methods in organizing their business. They had a registered company, and they'd draft contracts similar to those drafted by neighborhood developers. Yet, their lack of professional skills which delayed projects and prolonged the collections of profits, in addition to their illiterate reading of the market increased their risk of financial setback.

b. Financing

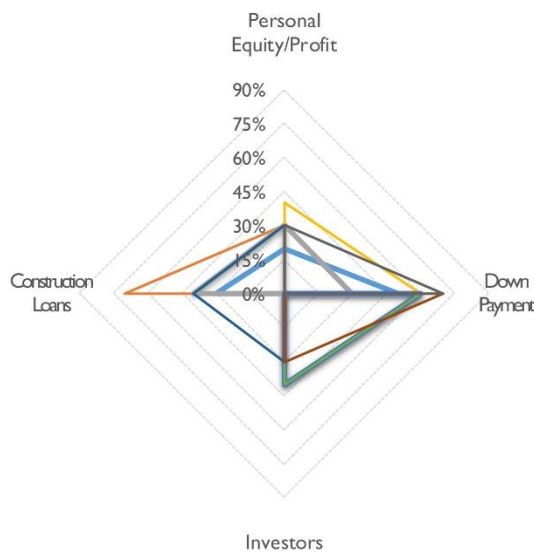


Figure 55 Sources of Finance of Interviewed Amateur Developers
Source: Author, based on interviews

Given their limited equity, the amateurs have looked for any possible way to finance their projects and put a foot in the real estate market. First, the amateurs would almost always resort to partnering with the landowners and investors, since they do not have the needed capital to buy land and start with the construction. Off plan sales is also used as a main source of financing, where they'd usually ask for 25% down payment.

Additionally, *amateur developers* are more likely to put themselves in a position where they'd need to take loans. Their lack of experience in managing their resources and understudied decisions increases the risk of wasting money, and thus needing to resort to loans. Sami is one of the examples who had to resort to a bank loan despite his religious background. He justified his decision by saying:

The Islamic rule is that actions are determined by intentions. There is ijihad in this (whether it is permissible to take a loan or not). I am compelled to take a loan, or I'll lose my money (Sami, personal communication, February 2019)

Another developer I interviewed, who was also religiously conservative, had to take a loan after a dispute rose between him and well-known Druze family over a land he bought in Wata El Msaytbeh. After four years of litigation, he was forced to take a loan

of US\$250,000 to cover lawyers' fees and a compensation for the proponent to defer the case. This project was enough to push him out of the market in 2014⁴².

c. Social Networks

The amateurs' circle of social networks is relatively narrow. It helped them get through preliminary steps to develop and sell their projects, but they were not enough to resolve the obstacles they face. *The amateurs* were not able to build trust and expand their social networks since their presence in the market was often interrupted. They also did not have the needed social capital or financial means that corporate developers had.

The amateurs relied on informal advertisement channels in order to attract clients. They printed brochures and leaflets, brokers, advertisement agencies, and newspapers. They have also appealed to informal strategies through attending gatherings and social meetings. One of the developers told me: "*You must throw yourself in the way of potential clients. I have a dinner today at 8. I will sit with an expat from Canada. I will take business cards with me to introduce myself*". (Karim, personal communication, February 2019)

The amateurs do not typically regard the sectarian identity of the neighborhood they develop in. According to this category, clients who come with money are given priority regardless of their religious or social background. They have sold Shi'ites, Durzis, Sunnis,

⁴² It is worth noting that amateur developers cannot easily access bank loans. To the contrary, their corporate profile doesn't work to their benefit and they are more likely to get rejections on loan applications. Sami's request was rejected by several banks, even the ones he had an account with. He finally had to open an account in Aramoun's branch of one of the banks, where the manager was flexible, and approved his application.

etc. where they do not investigate the background and history of their potential clients, which has often put them in dire situations with the neighborhood residents and other clients⁴³:

I sold to a Shi'ite client. The residents asked me not to sell. I told them he is good and brought cash money. I later knew that he works with an Ex-minister and caused a lot of trouble with the residents. He brought drugs and gave the building negative associations. No one wanted to buy an apartment anymore. I sold the building for a very reduced price.

(Ghazi, personal communication, February 2019)

Similarly, the amateurs do not work consistently in neighborhoods with similar identities. They often capitalize on extremely shallow networks to access land in different neighborhoods across Beirut. As mentioned in the section above, *the amateurs* tried developing in areas such as Wata El Msaytbe, Rmeil, and Ain Remene. All of the developers I interviewed faced legal issues and/or disputes with landowners.

To get through public agencies, they often appeal to their close circle of relations. One of the developers notified me that the engineers in the municipality were his university colleagues. Although they helped in pushing the procedure forward, their positions were not enough to complete the transaction, which was often stuck with higher positions.

Thus, the amateurs had enough social networks that gave them a false sense of confidence to enter the development industry. Their lack of spatial literacy, knowledge in the market, and experience led to obstacles they were not always able to overcome due to

⁴³ Some of the one timers eventually evolved into fraud cases: [link here](#)

their narrow network and social connections. Their limited financial capability forced them to rely on bank loans to resolve the problems they have faced on their project despite their religious reservations.

E. Summary And Conclusion

Market agents' activities in Beirut is shaped by a set of path dependent processes and policy interventions. The profiles and market strategies employed by these agents also determine the market segments they can access, and the form of housing they produce.

Unprofessional developers are dominating housing production in the city. While the nonprofessionals are wealthy and more likely to be landowners in Tallet El Khayyat, the nonprofessionals in Aicha Bakkar are those who have left their previous jobs looking for better economic opportunities in the city. This puts both them and their clients at increasing risk, since they are most likely facing trouble during the lifetime of the projects.

Meanwhile, while corporate developer is seeking projects in high end neighborhoods, neighborhood developers tend to appeal to local strategies, and their networks within religious institutions to position themselves in the market. This has made access to housing exclusive in 2 ways. In upper income neighborhood, housing is exclusive to those favoring high quality large apartment sizes, while in lower income neighborhoods such as Aicha Bakkar, access to housing is relatively exclusive to those who have religious affiliations and follow a certain political sectarian identity, thus reproducing sectarian lines and identity in the neighborhood.

CHAPTER 4

STATE POLICIES AND HOUSING PRODUCTION

IN AICHA BAKKAR AND TALLET EL

KHAYYAT

Housing policy directions in Lebanon have been governed by competing political and economic interests that superseded the central pretense of housing as a social right (Mhanna & Barjis, 2019). This chapter explores the impacts of public policies on access to housing in the neighborhoods of Aicha Bakkar and Tallet El Khayyat in Beirut. In the absence of an actual comprehensive housing policy, I will focus on two regulations/public schemes that were formulated as public responses to affordable housing challenges and that are believed to affect powerfully the housing sector: one supply-side policy, the *Building Law 646/2004*, and one demand-side policy, the *subsidized housing loan program* offered by the Public Corporation of Housing (*PCH*) in 1996. I argue that public interventions through these regulations and schemes, although rhetorically described as a “*response to housing challenges*” (Achkar, 1998; Ashkar, 2010; Ayas, 1998), have contributed to the production of spatial inequality and injustice, and have had detrimental effects on the affordability of low-middle income neighborhoods in Beirut.

This section challenges the concept of the seamless supply-demand approach to policy making by exploring the impacts of urban policies on housing production in the neighborhoods of Aicha Bakkar and Tallet El Khayyat in Beirut. It also links the current modes to housing production to the pre-civil war zoning law adopted for Municipal Beirut in 1954, by showing how it has set the stage for the establishment and continued reproduction of a modern upper income neighborhood (*Tallet El Khayyat*) and a dense

low-middle income neighborhood (*Aicha Bakkar*). Here I am not arguing that the unevenness in housing production is corrupt or malicious. Yet, I am highlighting that through the Zoning Law, uneven geographical development has generated, which consequently, through later policies (Building Law 646/2004 and PCH Subsidized Loans), contributed to the spatial inequalities in neighborhoods, making dense lower income neighborhood more vulnerable in terms of access to housing.

This chapter is divided into three sections. The first section looks at the history of planning through the Zoning Law in 1954 and examines how it has set the stage for uneven production of housing within the two neighborhoods. The second section examines the implications of a supply-side policy, *Building Law 646/2004*, and the third section examines the implications of the demand-side policy, *PCH subsidized housing loans in 1996*. Each section starts by outlining the declared logic and justification behind the enactment of the policy/law, and then moves to exposing their implications or lack thereof on housing production in the neighborhoods of Aicha Bakkar and Tallet El Khayyat.

To examine the implications of planning and housing regulations on the modes of housing production and consumption in Beirut, I relied on four main sources of information (**Figure 4**):

- Full data on the *PCH* loans provided in Beirut for the period June 1999-May 2019 was obtained from the Public Corporation of Housing through the Beirut Building Database.

- An exhaustive survey of the buildings developed between 1996 and 2018 in Aicha Bakkar and Tallet El Khayyat, and qualitative semi structured interviews with 20 out of 100 developers in the two neighborhoods developed by/with the Beirut Building Database.
- Tracing the evolution of the neighborhoods of Aicha Bakkar and Tallet El Khayyat since 1922 and the establishment of a building age map through digitizing aerial photographs and old maps dated: 1922, 1936, 1962, 1971, 1983, 1991, and 2018.
- Extensive literature review on the housing policies under study and housing finance in Lebanon and other selected case studies from comparative national contexts.
- Selling Price estimates of apartments in Aicha Bakkar for the period 1992-2018 extracted from building permits⁴⁴.

A. Zoning Law & Beirut's Master Plan 1954

In 1954, a Master Plan was adopted for Municipal Beirut. It consisted essentially of zoning regulations adopted through Decree 6285 that divided municipal Beirut into 10 sectors. The Master plan also included *a road scheme* that was introduced by Michel Ecochard in addition to 2) *a set of volumetric rules and standards* that were specific to each sector (Achkar, 1998; Verdeil, 2010) (**Figure 56**). The implementation of roads and opening of avenues was carried out starting the Chehabist period (1958-1964). Among those, Al Rachidine Street divided Aisha Bakkar and Tallet El Khayyat. According to Achkar (1998), aside from prioritizing easy vehicular circulation, the expedition in the implementation of the road scheme came as an attempt to break the internal cohesion of

⁴⁴ Construction Permits have a section called the "*Estimated Selling Price per m²*". I was able to plot the prices between 1992 and 2018 in Aicha Bakkar

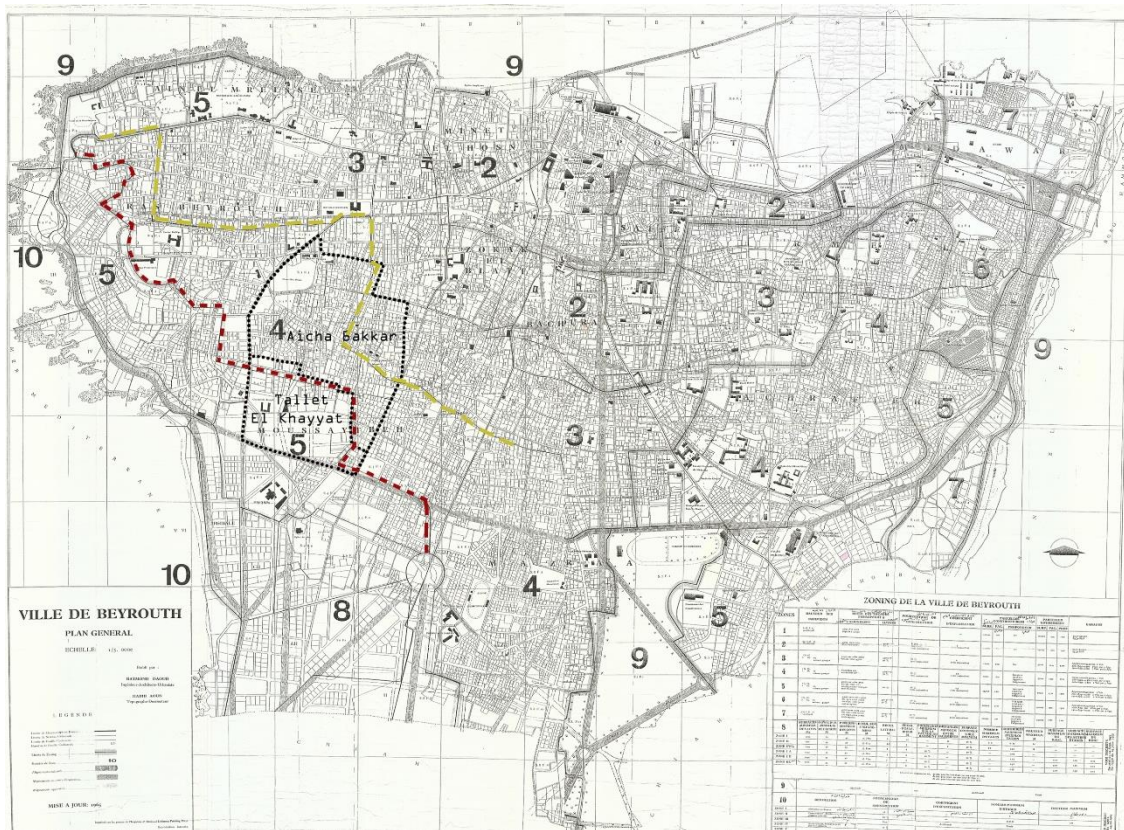


Figure 56 Beirut Zoning Map, 1954
Source: Obtained from Hasan Khalil, a notary in Aicha Bakkar

enclaved neighborhoods and to connect them to other areas (Achkar, 1998). Al Rachidine Street which cut through Aicha Bakkar and Tallet El Khayyat in the late 1960s provided the necessary vehicular access to Tallet El Khayyat following its subdivision in 1968. On the other hand, the volumetric rules and standards attempted to produce homogeneity and harmony in neighborhoods along the 10 different sectors of the city. These rules and standards dictated constructible surfaces in relation to the plots' surfaces (*surface exploitation*), total surface exploitation, allowable constructible parcel dimensions, and more generally the volume of construction (Ashkar, 2018; Achkar, 1998). The sectorial differentiations in the Zoning Law generated neighborhoods with high, medium, and low densities that eventually translated into upper, middle- or lower-income neighborhoods.

During the same year, a new law complementing the Zoning Law was also released allowing for land pooling and subdivision of land, and eventually leading to the subdivision of the major lots in Tallet El Khayyat.

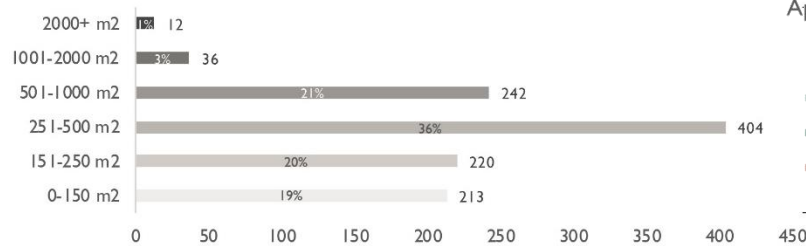
1. Implications

a. Implication 01: Unequal Geographies for Housing Supply

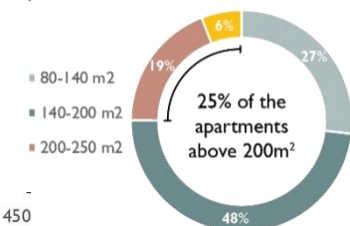
The production of space is linked to the norms of construction, through its assimilation and reproduction by local actors. Beirut's Zoning Law has remained unchanged since 1954. Its basic codes and standards had different implications on the neighborhoods of Aicha Bakkar and Tallet El Khayyat. The neighborhood of Aicha Bakkar falls under Zone 4, while the neighborhood of Tallet El Khayyat belonged to Zone 5 stipulating a different set of volumetric requirements (**Figure 57**). While Aicha

Zone Number	Exploitation Ratio	Surface Exploitation	Building type	Constructible Parcel
3	4	60	Dense- High rise	120 m ²
4	3.5	50	Dense- Medium Rise	150 m ²
5	2.5	40	Medium rise	150 m ²

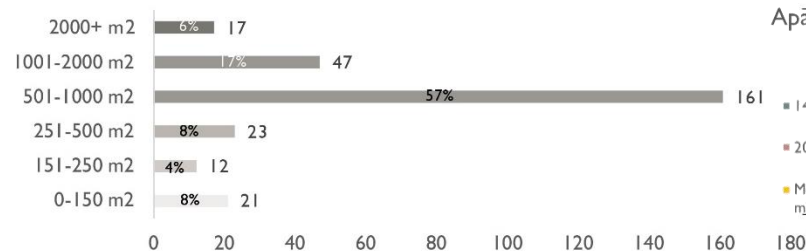
Areas of lots in Aicha Bakkar



Apartment Size in Aicha Bakkar



Areas of lots in Tallet El Khayyat



Apartment Size in Tallet El Khayyat

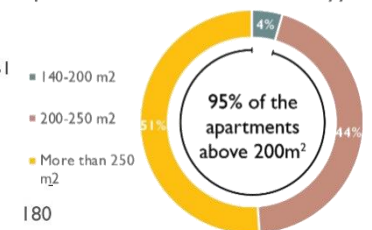


Figure 57 Zoning allowable exploitation, Lot and Apartment Areas in Aicha Bakkar and Tallet el Khayyat
Source: Survey, Beirut Building Database

Bakkar's old fabric had to be updated with higher, larger, and denser projects, Tallet El Khayyat's empty 200,000 m² of land was established from square one according to the modern conceptions, with lower densities, smaller footprints, and a market of big apartments targeting upper income groups. This, in addition to the land pooling and subdivision law, has eventually generated two different housing markets and a socio-spatial divide between the two adjacent neighborhoods. The housing markets have attracted different types of real estate developers, who have participated in the reproduction of this divide to this date. The differentiation between the two neighborhoods is manifested in the following:

Density and Apartment size: The urban fabric in Tallet El Khayyat is less dense, its buildings have lower number of floors, and the apartments are bigger than Aicha Bakkar. The type of housing products in the neighborhood is defined by the Zoning Law. For example, in Tallet El Khayyat, the maximum allowable surface exploitation is 40% and the total exploitation is 2.5. The 600 m² plot generated from the area's subdivision can

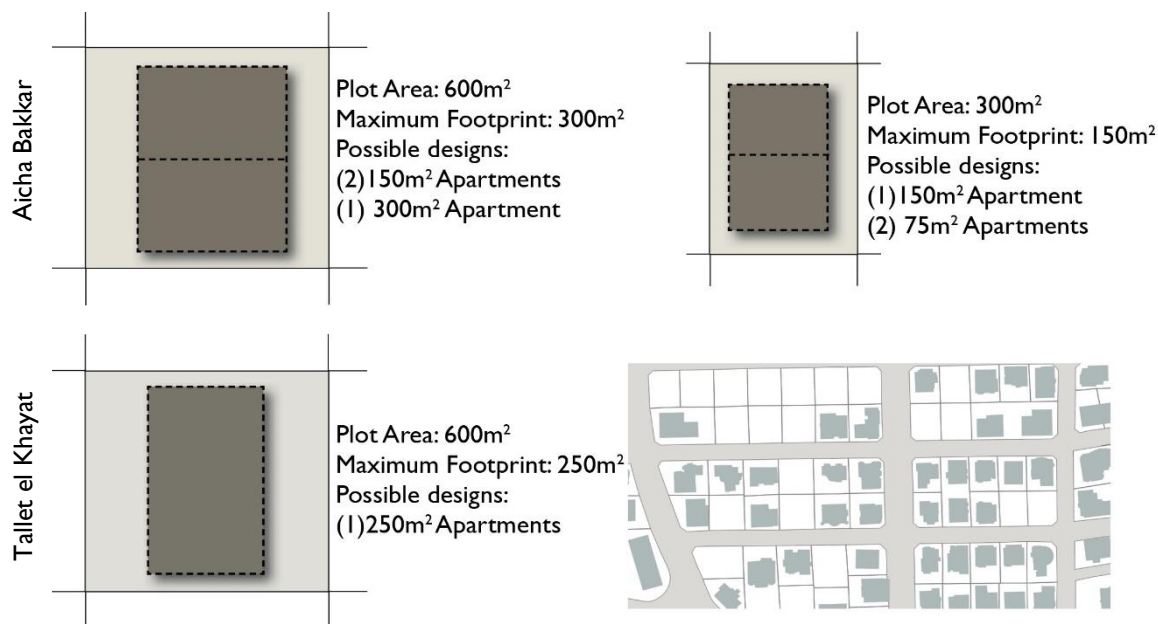


Figure 58 Maximum allowable footprint in Tallet el Khayyat and Aicha Bakkar according to Zoning Law
Source: Author, based on Beirut Building Database Map

accommodate a maximum of 240 m² of floor space. So, architects designed medium rise buildings with one large apartment per floor. According to the conducted survey, 95% of the apartments in Tallet El Khayyat that were developed after 1996 have one apartment per floor and their area exceeds 200m² (**Figure 58**). The type of housing units produced in Tallet El Khayyat therefore presumes this zone exclusively targeting upper income groups. On the other hand, Aicha Bakkar falls under Zone 4 (and a small part under Zone 3) which allows 50-60% surface development, and 3.5 – 4 total exploitation coefficients. This means that a minimum of 200 m² constructible lot can accommodate 100m² to 120m² which can easily be designed into a small apartment. The apartment sizes in Aicha Bakkar are therefore more diverse. Only 25% of the apartments in the neighborhood have an area that exceeds 200m² (**Figure 57**). Hence the Zoning Law has contributed to the reproduction of the same income groups through the production of the same apartment typologies across the two neighborhoods.

Apartment Prices: The restricted supply in Tallet el Khayyat translated in apartment prices which are considerably higher than their counterparts in Aicha Bakkar. Buildings are mostly composed of one apartment per floor or duplexes, the finishing is of higher quality, and the neighborhood has a low population density. According to the conducted survey, the average price of an apartment is \$3,500-\$4,000 per square meter, against \$2,400-\$2,820 per square meter in Aicha Bakkar. A study by Ramco confirms the numbers (**Figure 59**).

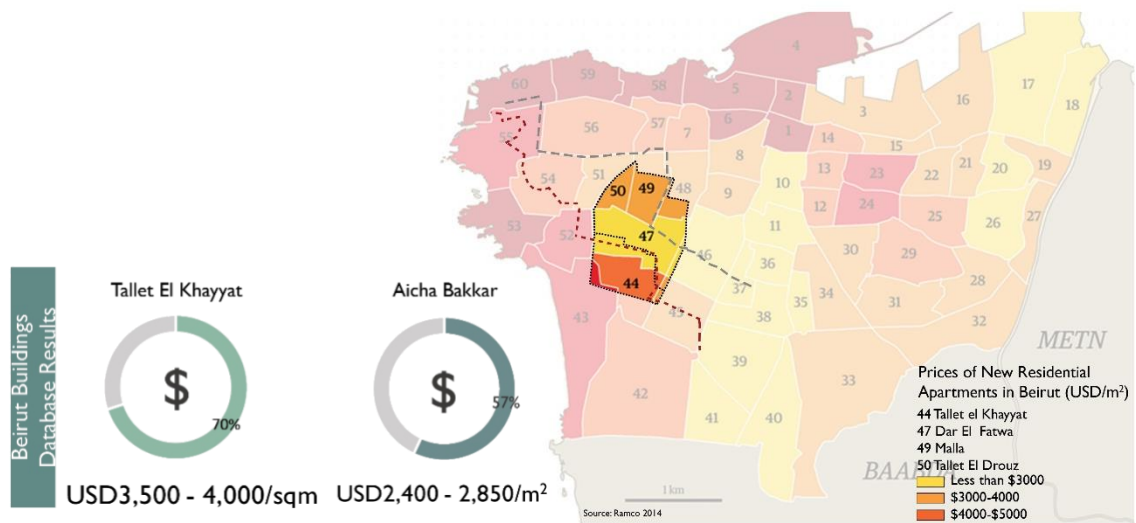


Figure 59 Apartment Prices in Aicha Bakkar and Tallet el Khayyat (in USD/m²)
Sources: Author, based on Beirut Building Database field survey in 2019, Map: Ramco, 2014

B. A Supply-side Policy – Building Law 646/2004

Supply-side policies in the housing sector are policies aimed at increasing the aggregate supply of housing units and enhancing the productive capacity of the development sector. In market economies, this is typically achieved by removing governmental barriers to market entry, reducing mark ups, or providing incentives for developers to produce additional housing units at affordable prices (Agarwal, 2019; Feldstein, 1986). Supply-side advocates argue that incentivized supply increases would slow the inflation of housing prices as it responds to and absorb the rising nominal demand (Feldstein, 1986, p. 5).

Lebanon’s building law has been historically subject to several periodical revisions starting with the first draft during the French Mandate period Law 61/1940 and leading to the current Law 646/2004⁴⁵. Changes has consistently been made in a more permissive

⁴⁵ Revisions to the building law in the years 1954, 1971, 1983, and 1992

direction towards densification (Achkar, 1998; Lamy, 2015). With the emergence of the housing sector as an important component of economic growth⁴⁶, policies were designed to expand and strengthen the real estate market through providing incentives for the development of the private housing sector (Buckley & Kalarickal, 2006; Jones & Datta, 1998).

Consequently, in 2004, and as part of revitalizing the stagnant real estate market and supporting economic growth through boosting housing supply, Building Law 646 was passed (Ashkar, 2010). The legislators' stated rationale behind passing the new building law was to incentive real estate developers "to work", which will consequently increase housing supply, increase competition, and reduce prices (Figure 60). This followed a traditional neo-

classical rationality in which an increased supply is thought to trigger economic growth, regulate apartment prices, and the benefits will eventually trickle down to the poor in the future making housing more accessible and affordable (Klaasen, Hoogland, & van Pelt, 1987). Neo-classical advocates have also argued that new housing also filters down more affordable supply, whereby old less desirable housing units depreciate in price and



Figure 60 Newspaper Clippings, on Building Law 646/2004
Source: Annahar Archives

⁴⁶ The real estate sector is a key contributor to GDP in Lebanon (Marot, 2018)

become more affordable for low income earners (Walker, 2016). The building law seeks to intensify building volumes without touching the zoning regulations. It consequently works within the same logic of earlier texts, increasing nonetheless the volume of surfaces that would not be counted in the exploitation factors such as the exterior walls, shafts the main stairs and elevators⁴⁷, waiting room, janitor's room, etc. which increases the building volume significantly by 25% to 35% (Marot, 2018). Planters, technical floors, and porch roofs, and other elements were also exempted. Balconies on the other hand, already exempted were allowed to be covered by curtain glass, a step towards making them an indoor spaces (Ashkar, 2010; Ashkar, 2018). According to calculations developed in earlier researcher (Ashkar, 2013; Marot, 2018), the 25% to 30% increase in the allowable building area provides approximately an additional floor per lot in buildings in Beirut, irrespective of the zoning.

1. Implications

Policy-makers' decision to incentive construction and investment in the real estate industry through the building law 646 in 2004⁴⁸, had major effect on housing production in Beirut, particularly in low-middle income neighborhoods such as Aicha Bakkar. In the course of this research, I was able to trace four main repercussions of the building law in 2004 on housing production in Aicha Bakkar and Tallet el Khayyat.

⁴⁷ As long as they do not exceed 20 m²

⁴⁸ In addition to other factors

a. Implication 01: The intensification of construction activity after 2004 & Demolition based Constructions

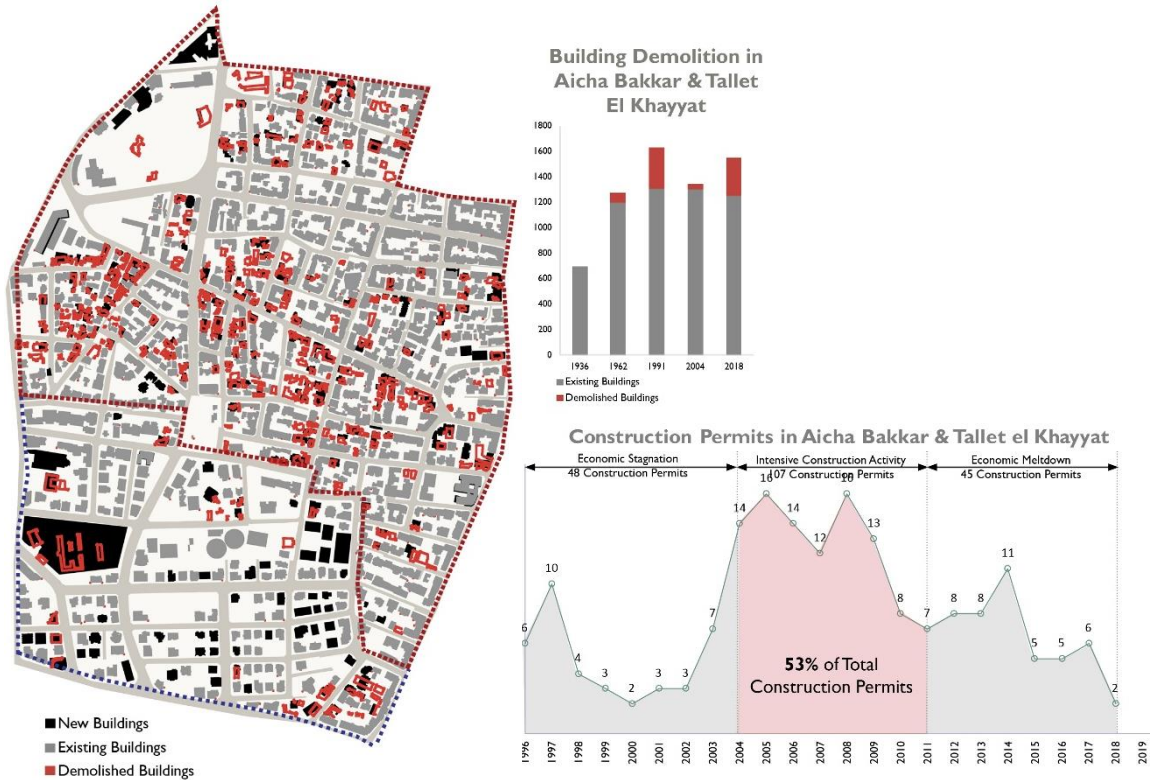


Figure 61 Construction Permits and Demolition-based constructions in Aicha Bakkar and Tallet el Khayyat
 Source: Author, based on aerial photographs

The period following the passage of the 2004 building law witnessed an increase in construction activities in Aicha Bakkar and Tallet El Khayyat, well in line with the capital city. More than 100 construction permits were issued by the municipality in the neighborhoods of Aicha Bakkar and Tallet El Khayyat alone between 2004 and 2010 (53% of the total construction permits), comparing to 38 permits between 1996 and 2002, which is almost 3 times the number of permits before 2004 (Figure 61).

New developments in Aicha Bakkar typically replaced older buildings by new ones with larger built up areas. An analysis of the location of the new buildings with aerial

photography indicates that more than 200 buildings were demolished in Aicha Bakkar between 2004 and 2018. This is unusually high, particularly when compared to nearby Tallet el Khayyat where only 25 buildings were demolished during the same period. According to an earlier study 43% of the residents living in old buildings were under rent contracts (El Zein & al., 2006). This has created a high rent gap⁴⁹ in old buildings which has consequently encouraged landowners to partner with developers and evict tenants. 70% of the developers I interviewed said they were in charge of evicting tenants from old buildings they were going to develop. According to the Beirut Building Database, 43% of the developments in Aicha Bakkar were a partnership between developer and owner, while 46% of landowners sold their land to developers. This can be explained by the limited financial capabilities of landowners where they are most likely resorting to either selling their land or partnering with a developer. The intensification of demolition-based construction is therefore attributed to landowners benefiting from selling their appreciated land or replacing their old buildings with newer ones. Consequently, many of the vulnerable old-time residents/tenants in the neighborhood were evicted. According to developers, their clients involved residents who came from adjacent neighborhoods such as Zarif, Sanayeh, and Verdun. Those residents were not able to keep up with the increasing prices in the neighborhood and came to the area as it was relatively more affordable.

⁴⁹ Rent gap is the difference between the ground rent and the potential rent. The higher the rent gap the more landowners are encouraged to develop.

b. Implication 02: Increase in real estate prices despite the increase in supply of apartments

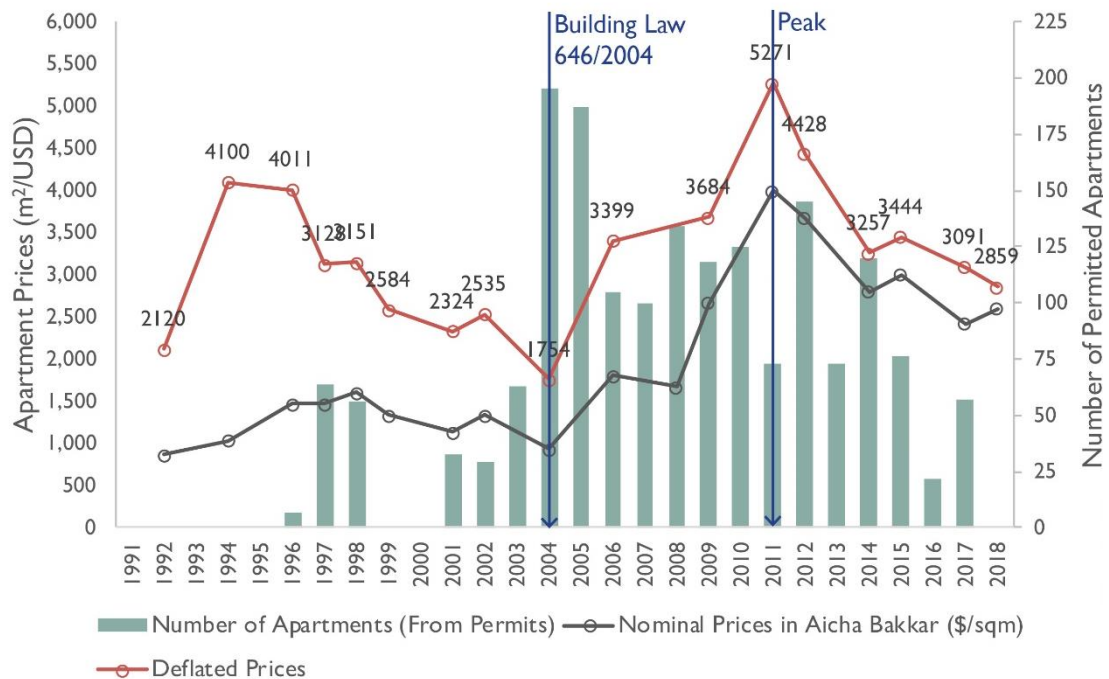


Figure 62 Number of Supplied Apartments in Aicha Bakkar versus nominal and deflated prices
Source: Author, data obtained from Beirut Building Database

Despite the increase in supply of apartments as a result of the building law in 2004, real estate prices in Aicha Bakkar increased 3 folds. According to the price estimates provided by the municipality of Beirut, real estate prices in Beirut started increasing since 2004, reaching their apex in 2011 at \$4,000/m² four and a half times its price in 1992 (Figure 62). Hence, the increase in supply of housing units did not contribute to decreasing or maintaining the prices of housing units and have rather led to an increase in apartment prices in Aicha Bakkar and Tallet El Khayyat because of increase speculative environment that was created by the new building law. This has consequently created a bubble in the real estate market as a result of more demand, lack of other opportunities for investment and ill-designed central bank regulations. The bubble is translated in an inflation index in apartment prices in Aicha Bakkar and Tallet El Khayyat

reaching 34 and 48 respectively, when the baseline should be 10⁵⁰. This shows that the speculative investment created by the 2004 building law has contributed to a larger investment environment where the myth of high profits was dominant and therefore inflated asking prices became the norm.

Landowners started increasing prices arguing that we are going to sell more apartments because of the new building law”.

The state’s regulatory framework made the extra liquidity in Lebanon between 2004 and 2010⁵¹ flow directly into the real estate industry through incentivizing construction via the building law.

Hence, the increased supply as a result of the building law did not reduce housing prices. On the contrary, it encouraged an environment for speculation and price inflation, whereby many of the real estate developers actually demanded higher prices when selling apartments between 2004 and 2006, believing that they could capture higher profits (Wehbe, 2008).

c. Implication 03: Increase in vacancy rates despite increase in supply of apartments

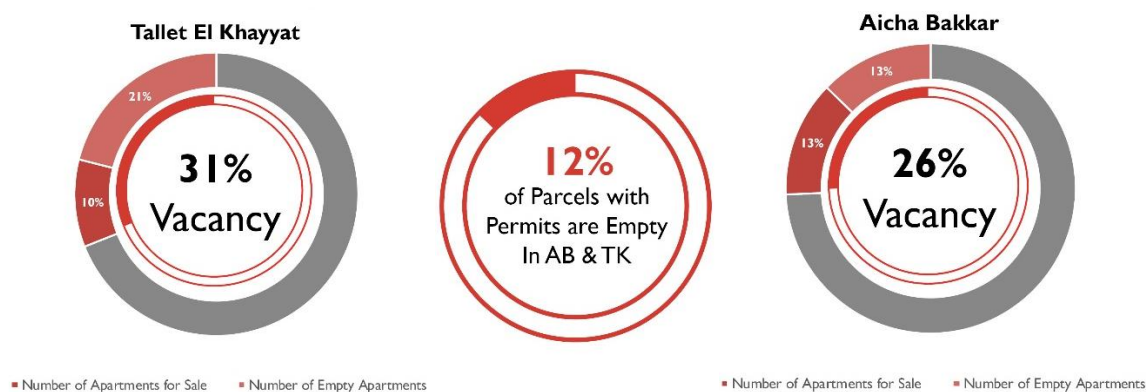


Figure 63 Vacancy Rates in Aicha Bakkar and Tallet el Khayyat
Source: Author, based on Beirut Building Database field survey

⁵⁰ Personal communication with Walid Marouch, Economist and Professor at LAU

⁵¹ Mainly due to Paris II conference and the global economic crisis

The upsurge in the supply of residential units in the neighborhoods of Aicha Bakkar and Tallet El Khayyat did not match the purchase power in the city. Vacancy rates in the neighborhoods of Aicha Bakkar and Tallet El Khayyat show that the actual supply of housing units did not respond to housing shortage for being beyond the purchase power of residents or developed for speculation purposes. Today, more than 13% of the apartments developed after 1996 are unoccupied in Aicha Bakkar. Another 13% remain unsold, while 12% of the parcels with construction permits are empty (demolished buildings). 21% of the apartments developed after 1996 are unoccupied, while 10% of the apartments remain unsold. In Tallet El Khayyat. 12% of the permitted lots are empty.

d. Implication 04: Rise in number of Amateur Developers

Building Law 646 was put forth to boost supply and encourage real estate developers “*to work*” (Ashkar, 2010). Consequently, the lucrative development industry, and the lack of incentives in other sectors of the economy brought along an increase in the number of real estate developers, mostly what I referred to as “*amateur developers*”. 61 real estate developers who have projects in Aicha Bakkar and Tallet El Khayyat entered the market between 2004 and 2018, most of them following change in the building law. 51 of these real estate developers were “*amateur developers*” as per the classification developed in the previous chapter, indicating that they had no prior experience in building development (**Figure 64**). Today, 67% of real estate developers who had projects in Tallet El Khayyat and Aicha Bakkar are amateurs. They have developed 50% of the projects in Tallet El Khayyat and Aicha Bakkar. This have had several repercussions on the developers: On the one hand, those who have often faced

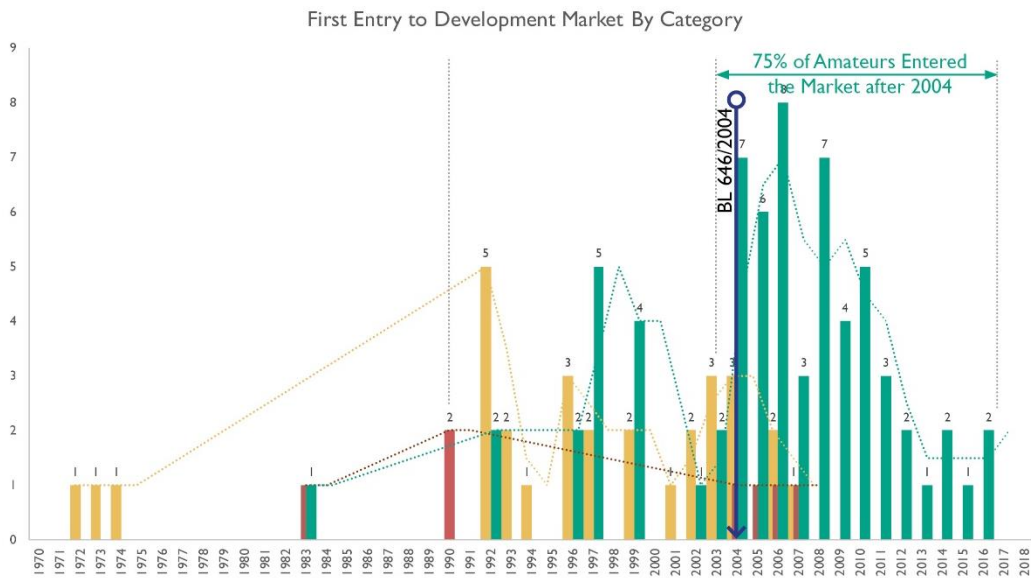


Figure 64 Entry to Development Market by Category in Aicha Bakkar and Tallet el Khayyat
Source: Author, based on Beirut Building Database

many hardships throughout the execution of their projects, and their clients from the other side, who are at risk of becoming fraud victims. The developers' lack of knowledge in local markets and lack of technical experience led to obstacles they were not always able to overcome due to their narrow network and social connections. Their limited financial capability forced them to rely on bank loans to resolve the problems they have faced on their project despite their religious reservations. Many of the amateur developers also gave up their previous professions and focused on development (interviewed developers were previously electricians, realtors, jewelry makers, etc.) in the hope of getting their share from the lucrative real estate industry. This shows that boosting the supply through the building law, without measures to regulate the profession have contributed to the de-professionalization of the industry.

C. A Demand-side Policy – The Subsidized Housing Loans by (PCH)

Demand-side policies are those oriented to increase *effective demand* and to consequently affect supply/output (Agarwal, 2019). In the post-civil war period in Lebanon, several formal channels of housing finance systems were reintroduced to facilitate access to homeownership through mortgage credit. This section examines the effects of one of the demand-side policies: the subsidized housing loan scheme provided by the Public Corporation of Housing⁵². It shows that these systems have been essentially established for the orientation of agents' behaviors and for the reinforcement of a middle-class market.

Homeownership financing schemes, although momentary, have been part of the housing provision programs in Lebanon since the 1960s. These schemes mainly supported medium and long term housing instalments as stipulated in Law of September 17, 1962, in addition to other publicly led housing programs initiated by the *Council for Housing*, targeting middle income groups in the prewar period (Marot, 2018). The *Ministry of Housing*⁵³ undertook the construction of public housing projects, providing tax exemptions to promote housing cooperatives, in addition to channeling financial resources to the *Housing Bank* and the *Caisse Autonome de l'Habitat* (Mhanna & Barjis, 2019). The outbreak of the civil war in 1975 weakened the financial capacity of the two main credit public organizations, which consequently impeded the development and sustainability of these programs. With the collapse of the Soviet Union in the early 1990s,

⁵² Future research projects are encouraged on assessing the impact of the other channels of housing finance/demand side policies on access to housing. Soha Mneimneh and I have tried accessing data from Housing Bank, but couldn't due to bank secrecy.

⁵³ Ministry of Housing was established through Law 9, on January 31, 1971 in replacement of Council for Housing

the World Bank steered in a neoliberal paradigm shift in the global economy and public policy agenda characterized by minimizing state's role to an enabler of the market⁵⁴. The housing finance system was nearly inexistent in the early post war years in Lebanon, as the preconditions of its establishment were absent⁵⁵.

As legislators recognized the importance of the housing sector to the pro-growth economic rationale, they went on to devise the needed institutional framework to orient the behavior of agents and incentivize financial organizations in the direction of urban development. By the late 1990s, 80% of households could not access homeownership through direct payment and resorted to informal modes of housing finance such as direct installments to developers, or reliance on family and friends support (Marot, 2018). During the early post war years, Lebanese banks were offering short-to –medium term housing loans at very high interest rates reaching 15% and to a very narrow profile of clients, which excluded many of Lebanese citizens from accessing banking finance. State officials became increasingly aware of the potential of housing finance, and the

⁵⁴ The survival of the public credit organizations became increasingly difficult with the intensification of pro-market strategies by the end of the civil war in 1990 in Lebanon and the global neoliberal economic shift⁵⁴, when housing provision issues disappeared from the public policy agenda and were replaced by notions of economic growth (Buckley & Kalarickal, 2006; Marot, 2018).

⁵⁵ For instance, the collapse of the local currency in the late 1980s created uncertainty in the financial environment in the early years of the post war period which impeded the introduction of long-term mortgage finance. Commercial banks also held back from engaging in long term housing loan programs due to the compromised value of housing as a collateral amid the widespread of war related squatters, and the weakness of the state in governing and enforcing the law to secure creditors' and property rights in case of default or litigation (Marot, 2018). These banks have already benefited from the lending schemes to fund the state's post war recovery plans and were therefore less interested in more risk prone schemes such as housing loans. Consequently, housing loans offered during this period were short to medium termed, limited in value, and with interest rates that ranged between 10-14%. Hence, they were only accessible by a narrow segment of the Lebanese population (Marot, 2018).

government stepped in in 1998 to mobilize domestic savings and incentivize the domestic financial sectors' involvement in the local financial system (The Daily Star, 1999; Ayas, 1998). In 1997, after prolonged negotiations between the Central Bank and the Ministry of Finance, the state established the *Public Corporation for Housing* to replace the *Caisse Autonome de l'Habitat* and started subsidizing LBP denominated loans by 1999 (Marot, 2018; Darrous, 1999; Ayas, 1998).

The logic behind the state's decision for the establishment of a long term subsidized housing scheme was primarily to alleviate the country's housing shortage, to boost demand, and steer the limping economy by injecting immediate money “*on behalf of low and middle income people*” (Darrous, 1999; The Daily Star, 1999) (Figure 12). The subsidized housing loan scheme aimed to facilitate the circulation of capital that was stuck in the unsold housing units that would help move the limping economy (The Daily Star, 1999). It would also facilitate the ownership of a home for low-middle income families as a response to “*social and humanitarian conditions*” and to people's “*natural right*” (Derbas, 2015; Yehaia, 1999) (Figure 65).

Consequently, the *Public Corporation for Housing* (PCH) was established by the national government in July 24, 1996 Law 538⁵⁶ in replacement of the *Caisse Autonome de l'Habitat* which went bankrupt after the currency collapse in the 1980s. The PCH is considered by many



Figure 65 Newspaper Clippings on PCH Loans
Source: The Daily Star

⁵⁶ The PCH was firstly disbursed on September 24, 1999

scholars the most important post war institutional constituent designed by the Lebanese state for urban and housing production, and the expansion of middle-income property market. The PCH along with the Central Bank, the Ministry of Finance, and the CEO's of major commercial banks, devised an incentive structure that brings on board commercial banks and homebuyers into the mortgage-based homeownership scheme. The idea was that the state - through PCH, plays the role of intermediary between lenders and buyers. As an intermediary, its main mission is to subsidize and secure LBP denominated medium to long term mortgage loans issued by local commercial banks (Marot, 2018). To provide adequate guarantees to encourage commercial bank⁵⁷ to commit to long term LBP denominated housing mortgages, the state proposed *“to provide cheap LBP denominated financial resources to the banks through a targeted lift of their required long-term central bank reserves. The Central Bank offered banks collaborating with the PCH the possibility of taking 60% of the loan values from their own cost-free compulsory reserves. The financial authority on the other hand allowed commercial banks to place a portion of their reserves equivalent to the value of the remaining 40% of their PCH sponsored loan portfolios, in well remunerated government bonds”* (Marot, 2018, p. 271). The financial scheme responded adequately to the limited financial liquidity and encouraged the involvement of the commercial banks in mortgage financing. Furthermore, a Law issued in 1996 543/1996 exempted banks who were involved in housing finance from a number of taxes. The International Finance Corporation, a

⁵⁷ The establishment of the PCH had to address the great uncertainties and reluctance that commercial banks had regarding the monetary stability of the local currency in the early post war years. High profitability was a condition of the banking sector's acceptance of the lending program's risk. On the other hand, the mortgage system had to be instrumental in extending loan maturity, decreasing down payment requirements and offering attractive interest rates to borrowers (Marot, 2018)

member of the World Bank group, also provided six local banks with soft loan packages to encourage them to provide subsidized housing loans in local currency (Marot, 2018).

PCH-sponsored housing loans are therefore subject to a *tripartite* loan agreement involving the borrower, the commercial bank, and the PCH. It involves a two-phase loan scheme. Phase one extends over a period of 15 years whereby the borrower refunds the initial capital to the commercial bank. The PCH on the other hand, takes up the responsibility of repaying interest to the commercial bank during the same period by drawing upon property-related government revenues such as land registration fees, building permits, etc. which are allocated by the Ministry of Finance (Marot, 2018). The Ministry of Finance therefore fills the gap between the interest charged by commercial banks to the PCH in phase one and that paid by borrowers to the PCH in phase two. This scheme ensures that the commercial bank have limited its financial risk to 15 years only. Phase two also extends a period of 15 years and requires the borrower to repay the interest to the PCH during this period (Marot, 2018). Today the PCH has mediated about 78,000 loans since its establishment, 90% of which are directed towards homebuyers (Redd, 2018).

1. Implications

The PCH subsidized housing loan scheme set by the state had several implications on lower- and middle-income neighborhoods in Beirut, while having negligible implications for upper income neighborhoods. While the PCH scheme did not affect the demand in Tallet El Khayyat and other upper income neighborhoods, the implications on housing in Aicha Bakkar can be summarized as follows:

a. Implication 01: Increase in prices and reduction in housing affordability

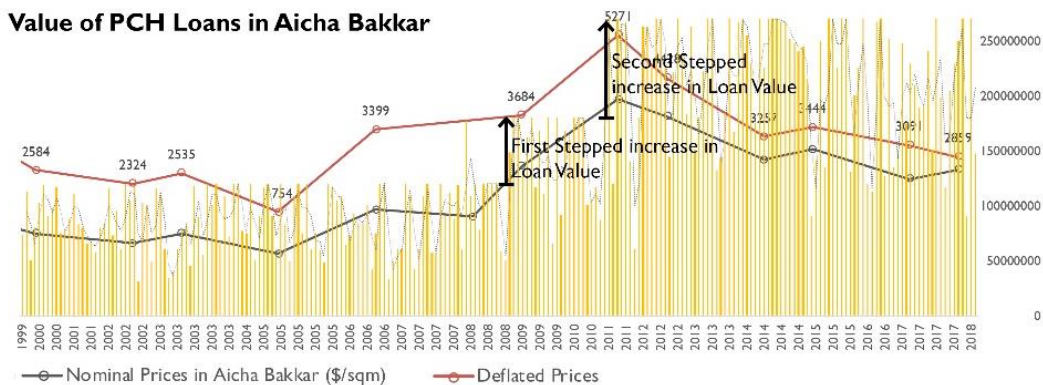


Figure 66 Value of PCH Loans and Apartment Prices in Aicha Bakkar
Source: Author, based on data obtained from Public Corporation of Housing and Municipality

The central bank had a main contribution in the creation of an *artificial demand*⁵⁸ for homeownership through increasing the recourse to bank financing mainly by financing the *PCH Housing Loans*. The central bank has focused on supporting real estate demand through financing the residential sector, increasing the cap on housing loans in 2008 from \$53,000 to \$120,000 and again in 2011 to \$180,000 for *PCH subsidized loans* (**Figure 66**) as a response to the gap between the purchasing power of homebuyers and increases in housing prices (**Figure 67**). Hence, the interventions to the PCH housing loan schemes in the past 20 years have actually maintained the property prices and kept them from falling with the decrease in the purchase power. It has actually contributed to the stepped-increase real estate prices, or what economists term as “rise-and-plateau” evolution of prices as seen in diagram all under the claim of economic growth and social stability (Al Balaa, 2013; Hamdan, 2014; 2014). Rise and plateau refers to

⁵⁸ **Artificial demand** constitutes **demand** for something that, in the absence of exposure to the vehicle of creating demand, would not exist.

	Year	Minimum Wage (a) in USD	Annual Minimum Wage per household (b=ax12x2 persons)	Price of a 100m2 Apartment in Aicha Bakkar "c" in USD	Purchase Power (d=c/b)	
Introduction of PCH Loans →	1999	200	4800	130,000	27	Purchase Power indicator shouldnt exceed 20 in Developing Countries
	2012	450	10800	366,000	33	
Halt of PCH Loans →	2018	450	10800	266,000	25	

Figure 67 Decrease in Purchase power after the introduction of PCH Loans

Source: Author, based on data obtained from Public Corporation of Housing and Municipality Prices

The PCH Loan scheme was introduced in 1999 and put on hold in 2018. We see that during the period of its operation, prices increased, and the purchase power was weakened reaching an indicator 33. The purchasing power of housing index is scientifically compared to the per capita income. In rich countries, the purchasing power of housing index is usually between 5 and 10, while it ranges between 15 and 20 in poor countries (Marot, 2018). The table above (**Figure 67**) shows that the purchasing power of low income earners has decreased significantly between 1999 and 2018; the period between the introduction and the halt of the PCH Loans. The purchase power went back to almost its pre-1999 index after the PCH loans were put on hold in May 2018. Hence, the artificial intervention on the actual demand mainly served the banks through increasing the recourse to bank financing.

b. Implication 02: Steering the economy?

According to the data obtained from the *PCH*, the vast majority (85%) of the PCH loans in Aicha Bakkar were directed to buildings developed before 1996⁵⁹. Applicants have looked for cheaper older apartments that have depreciated over time (**Figure 68**).

⁵⁹ In Beirut, 75% of the PCH loans were provided for apartments in buildings developed before 1996

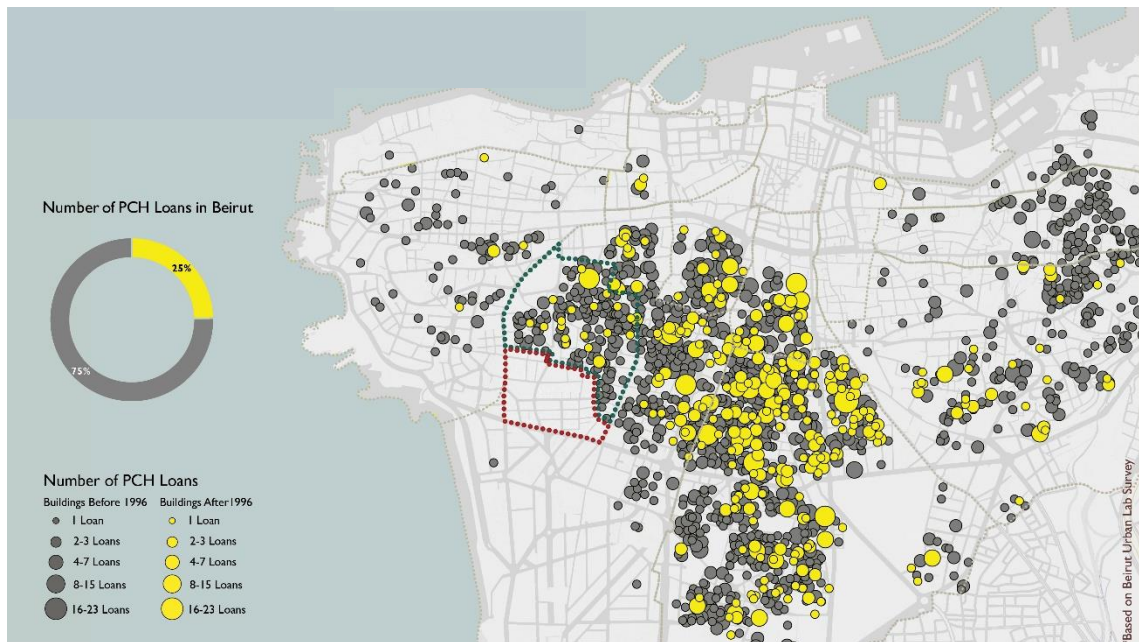


Figure 68 Distribution of PCH Loans in Aicha Bakkar
Source: Author, based on data obtained from PCH

This shows two main things:

Middle income earners on the other hand, who are eligible of getting a loan, purchased housing units in older buildings due to their depreciated price. This goes against the claim that the PCH loans will boost the economy. According to the earlier study (El Zein & al., 2006), 65% of the residents in old buildings in Aicha Bakkar are non-income generators, which makes them ineligible for a housing loan, and thus increase their vulnerability for displacement by eligible loan applicants. Therefore, the PCH has created a new *artificial demand*⁶⁰ for access to housing in Aicha Bakkar.

So, the claim that the *PCH* subsidized housing loan scheme will boost the economy proved to be inaccurate. Most of the loans in Aicha Bakkar and within the administrative

⁶⁰ **Artificial demand** constitutes **demand** for something that, in the absence of exposure to the vehicle of creating **demand**, would not exist. In this case, the PCH subsidized housing loans

boundaries of the city of Beirut were concentrated in apartments that were developed before 1996, this shows that the PCH housing loan market is dissociated from the construction activity after 2004. The PCH housing loan scheme rather had an impact on the social fabric, not the built environment, through initiating and boosting displacement and the social transformation of neighborhoods. Hence, PCH loans didn't incentivize

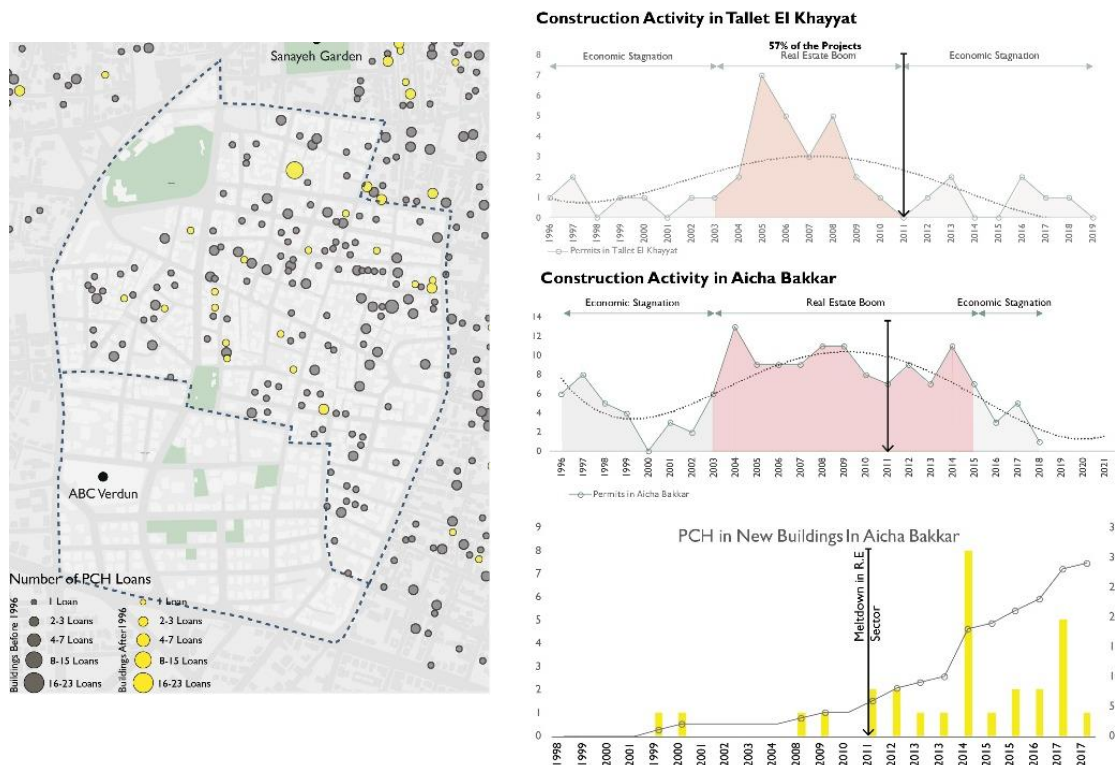


Figure 69 Increase in PCH loans in New Buildings during Crisis times
 Source: Author, based on data from PCH and Beirut Building Database

housing production in Aicha Bakkar or Tallet el Khayyat.

Second, developers were less willing to sell buyers relying on the PCH loans during boom years (Figure 69). By the time the market slowdown started in 2011, PCH loans channeled to new buildings have increased in Aicha Bakkar. This has secured a momentarily surge in the construction activity before it crashed in 2017, while we see the crash in upper income neighborhoods such as Tallet el Khayyat where PCH loans are

absent happening much earlier as soon as 2011. This shows that real estate developers used PCH as a last resort for selling during market downturns, while they refrained from accepting PCH applicants during boom years.

D. Conclusion

Post war policies have contributed to the production of hyper spatial inequalities, through advocating for speculative practices that were mostly felt in lower income neighborhoods. The Zoning Law started by creating neighborhoods with different socio-economic compositions in the 1950s and had a role in its continued reproduction to date. Although the building law has increased the number of housing units in the market, the speculative behavior driven by the general economic and monetary policies did not reach an affordable equilibrium price. It has on the one hand contributed to the destruction of the built environment and consequently displacing the vulnerable residents who dwelled in buildings developed before 1996, through the intensification of demolition-based constructions and increase in real estate prices. PCH housing loans restricted to Aicha Bakkar and absent in Tallet el Khayat, were predominantly channeled to depreciated old buildings in Aicha Bakkar. This contributed to the decrease in purchase power in Aicha Bakkar, and to its speculative use by developers to overcome market downturns and decrease in demand.

CHAPTER 5

FINDINGS, INSIGHTS, AND LIMITATIONS

A. Findings

This thesis attempted to touch on the link between path dependency and patterns of housing production in the neighborhoods of Tallet el Khayyat and Aicha Bakkar of Beirut. It answers two main research questions: First, who are the main developers currently involved in the production of housing in Aicha Bakkar and Tallet el Khayyat? Second, what were the implications of public policies, mainly *Building Law 646/2004* and housing loans subsidized by the *Public Corporation of Housing (PCH)* on housing production in the two neighborhoods?

This thesis showed that first, Tallet El Khayyat and Aicha Bakkar are two adjacent neighborhoods that were unevenly developed due to the different trajectories of development they went through, mainly lead by different social backgrounds of housing actors. So, market agents' social framework and activities is central to understanding the reproduction of housing production patterns across these two neighborhoods and more generally in the city of Beirut. The profiles and market strategies employed by real estate developers determine the market segments they can access, and the form of housing they produce. Corporate Developers on the one hand looks for big opportunities. Their activity has been mainly concentrated during boom years (2004-2011) in upmarket areas, when the expected profit yield is high, the risk is low, and the cost is diversified. They are contractors who enter and withdraw from the development industry according to opportunities they have access to. Amateur Developers on the other hand, entered the

market during the post-2004 what economists refer to as exuberance stage, or a state of unsustainable euphoria. Their interest was triggered by the excessive loose regulations and over-confidence/overbidding in the housing market. A final group of developers, that I refer to as Neighborhood Developers, have been steadily operating in low-middle income neighborhoods for more the 20 years. They rely heavily on religious, family, and sectarian networks to access the main ingredients of housing production and exchange.

On the other hand, this study also showed that post-war policies, specifically Building Law 646/2004 and subsidized housing loans by Public Corporation of Housing have enormously influenced housing production in the two neighborhoods by promoting speculative practices, intensifying building activities, reducing purchase power of apartments, and triggering displacement. Those impacts were more intensively felt in lower income neighborhoods by placing both unprofessional developers and lower middle-income clients at much higher risk of financial precarity. I have shown that although the building law has increased the number of housing units in the market, the speculative behavior driven by the general economic and monetary ambience did not reach an “equilibrium” price and have rather cause elevated vacancy rates. Vacancy taxation is advocated for as a sensible solution for minimizing speculation and vacancy. On the other hand, subsidized housing loans has been proved to be ineffective in promoting economic growth in the city of Beirut whereby more than 75% of the loans in Beirut were targeting old buildings. The subsidized housing loans have artificially increased the demand for housing, while the actual purchase power has decreased detrimentally.

The results therefore challenge the simplistic self-adjusting supply-demand approach to policy making that does not account for local forces and processes. It proves that following similar approach have been actually counterfeiting, and had tremendous speculative implications on neighborhoods, mostly old low-income neighborhoods. It also shows that financialization of land manifests itself differently within local contexts of the city of Beirut, rather than being all-encompassing across Lebanon's capital city, let alone across cities around the world.

B. Insights and Limitations

Uneven access to housing and other basic needs in the city of Beirut and the country more generally has laid the basis for a massive social movement. As I write the conclusion of this thesis in January 2019, people overflow the streets in different cities across and villages across Lebanon protesting the increasing poverty, compromised human dignity, and structural inequalities resulting from the adopted policy doctrine of the past 30 years (Fawaz, 2020). Among other issues, people are protesting inequalities associated with sectarianism and the Central Bank's interventions in shaping modes of access to housing in Beirut. According to many studies including the Beirut Building Database project, the Central Bank policies has significantly compromised adequate access to affordable housing contributing to a heightened rate in vacancy of Beirut's housing stock. Moreover, studies on other neighborhoods in the city of Beirut such as Tarik Jdidi (Mneimneh, 2019) complement this research also showing how sectarian/religious networks shape and filter the ways through which housing is produced in different neighborhoods of Beirut. The two channels of state policies and entrenched sectarian divides in Beirut therefore,

overlapping, create a double segmented housing market (by class and sect) restricting the ways through which housing is produced and consumed in Beirut.

With the current foreign currency liquidity crisis, another episode of real estate transformation into safety deposit boxes is underway. The informal capital controls imposed on depositors by commercial banks have brought back real estate developers as the rescuers of people's deposits, by capitalizing on depositors fears of losing their savings and offering them a leeway by turning their suspended bank deposits into property assets, advertised as a much "safer deposit box for your money". The resiliency of the real estate sector is definitely worth reflecting on in line with Tierney's (2017) dissertation who argues that profit is made in times of crisis and the real estate sector prospers in times of crisis more than in times of peace and stability. It hints again at the resilience of real estate developers in the country which can only be understood in line with strong networks and connections they have with banks, or stakeholders in the country that allows them to accept virtual money, also known as lollars⁶¹, in a time when people are finding ways to escape the potential collapse of the banking sector with the increased informal capital controls.

With more than 40% of debtors defaulting on their housing loans payments with the current crisis, the banks again along with big depositors pose a threat of executing collateral warranties and taking over their housing units, which can again be sold back to big depositors with the current increase in demand.

⁶¹ A term coined by economist Dan Azzi, representing US Dollars trapped in bank accounts

The current momentum on the streets and the banking sectors' crisis should be seized and complemented with proper policy design and structural changes to achieve housing affordability in the city.

This study, however, faces two types of limitations that are needed for designing a comprehensive affordable housing policy solution and strategy. It is part of a wider project and its findings cannot be read separately in one's attempt to design a comprehensive policy. First, the time frame set for this study has limited an in-depth investigation into the demand side of housing consumption in the two neighborhoods of Aicha Bakkar and Tallet El Khayyat. A detailed investigation on the socio-economic and modes of housing acquisitions in the two neighborhoods is suggested. Second, to provide a policy at the macro city scale, and given the variegated factors and divisions that shape housing production in different market segments and neighborhoods in the notoriously divided city of Beirut, further studies on other sections and market segments in the city are needed. This would provide a comprehensive understanding of urban growth, its relation to financialization and the current housing production patterns in Beirut's different market segments.

The current model of housing production reflects a short-sighted vision of city development dominated by financialization of property assets. With many amateur developers leaving their own profession in pursuit of real estate development and ending up facing hardships due to their limited experience, a comprehensive strategy should be devised to manage and regulate the real estate profession, consequently filtering out those who are more likely to default in the market. This should be however complemented with a general strategy that fosters growth in other productive sectors of the economy.

Acknowledging the importance of the social value of land, and housing as a social right rather than a commodity of exchange, change in the approach of market agents coupled by the reduction of profit can be a starter to achieving housing affordability and tenure.

So, further research is needed to explore the possibility for Charitable Religious Organizations that are now used by Neighborhood developers (whose activity in the market is uninterrupted) to play a more pro-active role in imposing affordability considerations, even at the cost of incentives if this is needed. Although one might argue that this might reinforce sectarianism and the mediation of services by religious institutions, it might be worthy, as we await political reforms, to put forward a marginal idea that might reinforce a behavior of housing as a social need rather than a commodity.

Also, further research is needed to explore modes of combatting vacancy, including taxation mechanisms and an adequate regulatory framework for rental laws.

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APPENDICES

Appendix 1: Real Estate Developers Questionnaire

In relation to the neighborhood

- 1) In your opinion, how are the new developments changing Aicha Bakkar?
- 2) Can you locate areas of older developments? What are the similarities and differences between Aicha Bakkar and other areas you developed buildings in?
- 3) How do you describe the quality of the buildings in Aicha Bakkar comparing to other areas?
- 4) Have you built in two or more areas of Aicha Bakkar?
- 5) How are the developments different between these sub-neighborhoods?

Skills and Professional Background

- 1) Why did you choose to enter the field of real-estate development?
- 2) Can you tell me more about your first experience in the field of real-estate development? Did you need/receive family support? Did you need to partner with other people?
- 3) How and when did you learn the profession? What are the main lessons that you can pass on?
- 4) Had you tried another profession before? Were you/are you doing something in parallel?

Mechanisms/ Sources of Finance

- 1) Can you describe the last three projects you developed? Where are they located? Who did you partner with?
- 2) How do you advertise for your projects?

Customers

- 1) What common traits do your customers share? What professions do they most commonly have?
- 2) Profile customers in Aicha Bakkar?
- 3) How are people buying?
- 4) How do you get customers to know you? Do you depend on brokers?
- 5) Which area do they mostly come from?
- 6) Do you consider that you know most of the residents in the district? **If not, how do you learn about potential land for development?**
- 7) What is your relation with the landowner? What types of deals are set in place (pay them entirely? Give them a % of units?)
- 8) Do you negotiate with old tenants or do the owners do it?
- 9) How do you define/did you define the eviction compensations?
- 10) Have you ever rejected selling an apartment to someone? Why?

Banking

- 1) The market is currently in crisis. How does it affect you?
- 2) Do you have a bank loan? Do you/are you able to negotiate it? Are your clients also defaulting?
- 3) Do you help your customers acquire housing bank loans? Do they get financial support from other sources/mechanisms?
- 4) Do you have any good relation with a specific bank that trusts you? How did you build the relation with this bank?
- 5) Do you use real-estate development bank loans?
- 6) How do you identify the bank? Do you know the manager? Did you get any type of additional support from the bank?
- 7) Do you have any other partnership or mechanism for land acquisition/development not mentioned above?

General Background

- 1) *Developers who worked before 2004 only:*
- 2) Do you have relations with REDAL (The real-estate developers association of Lebanon) or REAL (The real-estate syndicate of Lebanon)? Are you a member?
- 3) How does the 2004 building law change the landscape/process for you?
- 4) Were you personally involved in discussions about the law?
- 5) Can you describe the neighborhood you were raised in? What about your family?
- 6) How many employees work in your firm? When was it established? Where is it located?
- 7) Do you have other firms? What type of firm (Consultancy, contracting, real-estate...etc.)?
- 8) Would you have suggestions for how the Municipality and/or any other public agency can help you improve the work?
- 9) Some people are discussing the idea that to improve the city, there is a need for every developer to “give something” to the city. This is done in the USA. Every developer has to provide a small open space, one affordable unit, etc. to make the neighborhood more livable.
- 10) What do you think of this idea if it were imposed on everyone?

Appendix 2: Summary of Data

Buildings Info	Aicha Bakkar		Tallet El Khayyat		Total
	Number	Percentage	Number	Percentage	
Number of Construction Permits (1996 - 2018)	157		40		197
Completed Buildings	106	67.52%	31	77.50%	137
Buildings Under Construction	22	14.01%	4	10.00%	26
Empty Parcels	5	3.18%	2	5.00%	7
Parking Lots	3	1.91%	1	2.50%	4
Construction on Hold	3	1.91%	2	5.00%	5
Old Structure not demolished	9	5.73%	0	0.00%	9
Non-Residential	9	5.73%	0	0.00%	9
Total Number of Apartments (1996 - 2018)					
	1926		480		2406
Average Nb of Apartments/Building	15.17		11.71		
Number of Apartments for Sale	248	12.88%	48	10.00%	
Number of Empty Apartments	244	12.67%	101	21.04%	
Apartment Size per Building					
80-140 m ²	41	26.80%	0	0.00%	41
140-200 m ²	74	48.37%	2	4.44%	76
200-250 m ²	29	18.95%	20	44.44%	49
Above 250 m ²	9	5.88%	23	51.11%	32
Years of Permit					
1996-2003	28	18.92%	7	17.95%	35
2004-2011	77	52.03%	25	64.10%	102
2012-2018	43	29.05%	7	17.95%	50
Years of Completion					
1996-2003	10	8.26%	3	8.57%	13
2004-2011	37	30.58%	17	48.57%	54
2012-2020	74	61.16%	15	42.86%	89
Developers Info					
	Aicha Bakkar		Tallet el Khayyat		
	Number	Percentage	Number	Percentage	
Neighborhood Developers	30	36.14%	8	28.57%	38
Amateur Developers	50	60.24%	16	57.14%	66
Corporate Developers	3	3.61%	4	14.29%	7
Number of Projects/Developer					
Neighborhood Developers	72	52.94%	15	41.67%	87
Amateur Developers	60	44.12%	4	11.11%	64
Corporate Developers	4	2.94%	17	47.22%	21
Mechanisms of Development Before 2004					
Developer Only	1	6%	6	76%	7
Owner Only	3	13%	1	12.50%	4
Developer-Owner Partnership	18	81%	1	12.50%	19
Mechanism of Development After 2004					
Developer Only	54	55%	14	52%	68
Owner Only	9	9%	6	22%	15
Developer-Owner Partnership	36	36%	7	26%	43